



The USSR's First Economic  
Development Plans

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# The USSR's First Economic Development Plans

(How They Were Compiled  
and Carried Out)

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## FOREWORD

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It is safe to say that the twentieth century has been more sensational than the nineteenth, which preceded it. This can be shown by a simple list of events and achievements. Our existence has been invaded by nuclear energy, synthetic chemistry and rocket engineering, man has been able to travel in space and even take a stroll on the moon. But the real sensation of the 20th century is undoubtedly economic planning, because its impact on the rate of human progress has been truly stupendous.

In a nutshell, the social function of planning is to force the anarchy of the market to give way to conscious purposeful activity, a transition from the kingdom of blind necessity to the kingdom of well-understood objective laws. The founder of scientific socialism, Marx, wrote: "But what distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality."<sup>1</sup> Conscious purposeful activity distinguishes the architect from the bee, the planned from anarchic economy. But planning only becomes possible under certain circumstances.

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<sup>1</sup> K. Marx. *Capital*, Vol. 1, p. 178.

The architect has nothing to do if no one is building anything. The merits of his building, like the merits of an economic development plan, depend not so much on good intentions as on objective circumstances.

These circumstances, both social and economic, determine the principles and methods by which plans are drafted, the patterns of planning and the economic content of the plans.

Economic planning was first employed in the Soviet Union, as a natural result of the radical social and economic changes which took place after the victory of the October socialist revolution in Russia in 1917. The main condition for planned economic management is public ownership of the principal means of production. It binds the entire national economy into a single whole. The activities of each enterprise become an inseparable part of the general process of production. To unite and combine the activities of hundreds of thousands of enterprises and the efforts of millions of working people, and ensure united action in building a communist society, there must be a single, scientific national plan.

Economic planning in the USSR has been developing over many years, and its influence on the theory and practice of planning all over the world is increasing.

The varied experience of economic planning in the Soviet Union cannot possibly be dealt with in the space of a short booklet. So the authors will limit themselves to explaining how the initial Soviet economic plans were compiled, supervised and carried out.

# The Conditions for Nation-Wide Economic Planning

■ The political conditions of planning in the USSR were the revolutionary overthrow of the government of landlords and capitalists and the establishment of government by the people as a result of the victorious October revolution of 1917.

Besides the right political conditions, nation-wide economic planning also requires a number of economic and organizational conditions. The most important were the socialization of the principal means of production and concentration of the main levers of economic control in the hands of the state. Nation-wide economic planning in the Soviet Union developed and strengthened as these conditions, without which a real planned economic system cannot be set up, grew and matured.

In the years immediately after the revolution, the Soviet government did not set out to socialize all the means of production, because, as Lenin said, a planned economic system can only emerge and strike root when the working classes have learned to govern, and the prestige of the masses has been firmly established.

The national interest required that production and distribution should be taken under firm and comprehensive control. So workers' control committees were set up in all factories and plants a few days after the revolution to ensure a systematic regulation of the economy and give the workers a chance to gain first hand experience

in management. The workers' control committees did not take over the factory-owners' prerogatives. They held a watching brief over production and sales, raw material supplies, etc. But they played a very significant part.

Workers' control was, in fact, the first practical step towards government control. It was a preliminary measure, which paved the way for a gradual and complete nationalization of the economy. But the beginning of the civil war, foreign armed intervention and mounting counter-revolutionary sabotage forced the Soviet government to move on quickly from workers' control to nationalization. Nationalization is a historically necessary and inevitable process of socialization of the means of production in accordance with the social nature of production itself. In Russia, however, it was sped up by the sabotage of the bourgeoisie and by the country's economic difficulties. Private banks which often financed counter-revolution were nationalized. The single State Bank, instituted at that time, had the monopoly of economic financing and control of banking on a national scale.

In June, 1918, the government issued a decree nationalizing over a thousand joint-stock companies and other large enterprises in a number of industries. While it declared them the property of the Republic, the Soviet government allowed the former owners to go on managing them and even use the income if they ran the factories at their own expense. All they were asked to do was to follow the national plans of production and distribution. The government's effort to reconcile private business with the rational planned economy did not succeed under

the complicated conditions of the civil war. Many former factory-owners not only refused to do honestly what they were asked. Many were active counter-revolutionaries who tried to undermine the economy in every possible way. Naturally enough, these people had to be replaced by specialists who were loyal and by advanced workers who had been to the school of workers' control.

The first central economic management body of the young Soviet Republic was the Supreme Economic Council, instituted in December, 1917. It exercised current control over the social economy and was the first central planning body of the Republic.

Nationalization of large-scale industry, transport and communications, carried out in 1918, and the introduction of a state monopoly of foreign trade considerably extended the sphere of economic government control.

With the armed intervention, the civil war, economic dislocation, and a dearth of consumer goods and industrial resources, it was necessary to introduce rigorous centralized control and to limit the independence of enterprises and local economic bodies to some extent. All raw material and fuel for the factories and the distribution of their output had to be strictly controlled.

No other management method would have worked in that period, because centralized control made it possible to concentrate production at the larger enterprises and distribute the meagre resources available to the young Soviet Republic rationally.

After the end of civil war and the rout of interventionists, the country adopted the New

Economic Policy (NEP). Its chief purpose was to rehabilitate and promote the national economy by an all-round development of public and private economic initiative. More flexible forms of industrial management were needed to utilize the market, trade and money circulation in the most effective way. It became necessary to dispense with too rigorous centralized control and to improve planned economic management while giving more scope to the creative business activities of the masses.

This period in the economic history of the Soviet Union is remarkable for free market competition in all forms of social and private economy. Now that small private producers and shop-keepers, taking advantage of the extreme shortage of goods, were free to sell their wares at prices greatly exceeding the fixed government price, small-scale private industry and trade increased rapidly. To further this growth, the Soviet government even denationalized certain small enterprises that employed hired labour which had been nationalized. Furthermore, concessions were granted to foreign capitalists to attract investment. So private enterprise was given every opportunity in the economic race with the state sector of the Soviet economy. Even so, private enterprise failed to hold out against socialized economy which proved much more viable on all hands. The commonly acknowledged superiority of large-scale industry and trade resulted in the Soviet Union, as everywhere, in the bigger concerns ousting and swallowing up the smaller ones in the normal course of market competition. Even though in the early twenties private industry and trade grew fast

enough, the business done by the socialist sector increased much faster. As more goods appeared on the market, and private producers had to reduce their prices to the government price level, private trade first began to mark time and dwindled. By 1931 the turnover in the private shops had dropped almost to nil. By 1928, private enterprises accounted for 12 per cent and by 1933 for less than 0.5 per cent of total industrial output. The large foreign concessions did not thrive in the Soviet Union either. The economic superiority of socialized enterprises became quite obvious. The result was that private trading and industrial capital was ousted completely from the Soviet economic scene.

But until this process was complete, planning in the Soviet Union could not be fully effective. The existence of a considerable private sector of small-scale industry and trade made it necessary to combine direct planning for state-owned enterprises with indirect methods.

## Lenin on Economic Planning

■ An entire revolutionary epoch in the life of mankind is associated with the name of Vladimir Ilyich Lenin. He has gone down in history as a brilliant revolutionary, the organizer and leader of the October socialist revolution of 1917, and as a great thinker of immense erudition, whose interests were remarkable in range and scope. Lenin made a priceless contribution to social thought, creatively developing the Marxist doctrine and enriching it by new scientific conclusions. Above all, Lenin proved that so-

cialism could be victorious in one country to start with, and he developed the plan for building socialism.

The problems of planned management had an important place among Lenin's versatile theoretical and practical revolutionary activities. He provided scientific solutions to the key problems in the management and planning of the socialist economy. The foundations of planned economic management were laid under Lenin's personal supervision.

According to Lenin, the systematic organization of social production is the hub of planned management. A true economic plan to regulate production and distribution in the interest of the working people can be elaborated in a workers' state. A people's government can mobilize and set in motion all production resources to fulfil the plan and it can organize immediate control over economic development as a whole.

Lenin's idea of single national economic plans of extended socialist reproduction taking the operation of economic laws into account and reflecting the balance and unity of the inter-industry and inter-district division of labour was of immense significance. In 1920, Lenin wrote: "The plans of the various branches of production must be soundly co-ordinated, and linked up so as to constitute the single economic plan we stand in such great need of."<sup>1</sup>

Describing the socialist economic management methods, Lenin pointed out that centralized management of the economy was necessary both technologically and economically. He wrote:

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 31, p. 511.

"... the material source, the productive source, the foundation of socialism—calls for absolute and strict *unity of will*, which directs the joint labours of hundreds, thousands and tens of thousands of people."<sup>1</sup>

A systematic regulation of national production is economic planning. Public ownership of the means of production presupposes a closely co-ordinated development of all spheres of human activity. No single enterprise can develop in isolation from the rest of the economy. The function of regulating each component of the socialist economy, and the economy as a whole, devolves on the single economic plan.

Lenin underlined the constructive value of the single economic plan for the whole of the country stating that, "Only large-scale, planned construction, which aims at evenly utilizing economic and business values, deserves to be called socialist."<sup>2</sup>

The system and methods of national economic planning are particularly important in the regulation of economic growth. The answer was provided by Lenin, who evolved and substantiated the most vital principles of national economic planning, the most important of which are: harmony in politics and economics, scientific and realistic nature of planning, democratic centralism, the economic plans must be binding, there should be long-term planning, supervision of plan fulfilment, a rational system of stock-taking, accounting, and statistics.

National economic planning is the purposeful

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 27, p. 268.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 28, p. 36.

activity of the Soviet state and people under the guidance of the Communist Party. Lenin stated: "Our Party programme must not remain solely a programme of the Party. It must become a programme of our economic development. . ." <sup>1</sup> National economic plans serve to accomplish the social and political aims set by the Communist Party of the Soviet Union at each stage of the development of socialist society.

In socialist society, politics come to play a greater part as the socialist state becomes the immediate organizer of economic processes.

Lenin pointed out that "...without a correct political approach to the matter the given class will be unable to stay on top, and, consequently, will be incapable of solving its production problem either." <sup>2</sup>

A single political and economic approach to socialist construction requires above all that the political aims of improving and developing the social system be considered. Lenin wrote: "...as we begin socialist reforms we must have a clear conception of the goal towards which these reforms are in the final analysis directed, that is, the creation of a communist society." <sup>3</sup>

The first step in drafting an economic plan is to formulate and substantiate scientifically the economic and political aims and the main economic development tasks. These can either be formulated as development trends or as the levels to be attained, and society's more pressing needs and the actual possibilities of meeting

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 31, p. 515.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 32, p. 84.

<sup>3</sup> Lenin. *Coll. Works*, Vol. 27, p. 127.

them must be taken into consideration, so must the prevailing social, economic and technological conditions.

Full scientific substantiation of the plan is a basic prerequisite for economic planning. We must make sure, Lenin wrote, "...that our extensive plans in this field are not fantasies, but are borne out by and based on technology and science..."<sup>1</sup>

To approach economic planning scientifically the operation of the principal economic law of socialism, the law of systematic economic development and the law of value and other objective economic laws which take effect under socialism must be borne in mind. And scientific approach presupposes the study, knowledge and utilization of the laws of nature.

An understanding of the operation of objective laws makes it possible to choose the direction in which production and consumption must be developed at all levels of national economic planning realistically. Lenin repeatedly stressed that planning should be based on a thorough study of facts and figures and detailed understanding of past experience.

When drafting national plans, the planners must take the main trends of technological progress (automation of production processes, introduction of chemistry in technological processes, electrification of the economy) and the sum of the experience of the practical activities of millions of working people into account.

It is an essential requirement of scientific planning that the plans should be based on prog-

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 30, p. 334.

ressive technical and economic standards, so that the fullest possible use of the national resources is made and the economic balance is established.

Lenin's instructions that the division of labour between republics and different areas of the country should be rational and that natural factors, and also the living conditions and the national and historical features of each republic and area must be taken into account were very important.

Lenin insisted that economic planning must be realistic, for every miscalculation could cause damage to the people's economy. On the errors in the fuel plan for the first half of 1921, Lenin pointed out that the resources had been misestimated, and that nothing had been left for a rainy day, although it is impossible to manage the economy on a national scale without reserves. He pointed out that the fuel and transport crisis had been caused "not only by a shortage of material resources, but by a miscalculation of the rate of development."<sup>1</sup> Lenin wrote that the planners' excessive optimism had resulted in bureaucratic utopias so that only a very small part of the plans had been realized, and concluded that this would have to be radically altered.<sup>2</sup>

The principle of democratic centralism is fundamental to the theory and practice of socialist construction and economic management and planning.

National ownership calls for a single centralized plan. Building socialism, Lenin pointed out, "...means building a centralized economic sys-

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 33, p. 166.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 32, p. 497.

tem, an economic system directed from the centre.”<sup>1</sup>

Democratic centralism of planning implies an optimal balance of centralized economic management and local initiative.

It implies the existence of an efficient centralized system of general, industrial and territorial planning bodies, whose directives are carried out promptly and accurately by the organs lower down the line, while the former give consideration to any well-substantiated proposals submitted from below.

Centralized planning creates a stable, and reliable economic position for each production unit, determining its position and prospects for future development in the overall division of labour. But centralized planning of a complex economic system can only be successful if it is combined with economic independence at enterprise level and relies on the initiative of the masses.

This finds graphic expression in the present system under which national economic plans are drafted and endorsed. The Draft Directives on the five-year economic development plan of the Soviet Union for 1971-75, for instance, were widely discussed at republican Party congresses, territorial and regional conferences, Party meetings and meetings of working people. Their proposals were considered and found reflection in the Directives. The workers of every Soviet enterprise take part in mapping out and accomplishing both the current and the long-term development plans for their enterprise.

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 28, p. 400.

Lenin's ideas on centralized economic management are spearheaded against both bureaucratic centralization and anarchy. He wrote: "We are for democratic centralism... There is nothing more mistaken than confusing democratic centralism with bureaucracy and routinism. Our task now is to carry out democratic centralism in the economic sphere, to ensure absolute harmony and unity in the functioning of such economic undertakings as the railways, the postal and telegraph services, other means of transport, and so forth. At the same time, centralism, understood in a truly democratic sense, presupposes the possibility, created for the first time in history, of a full and unhampered development not only of specific local features, but also of local inventiveness, local initiative, of diverse ways, methods and means of progress to the common goal."<sup>1</sup>

But Lenin continually emphasized that it was essential to develop the creative initiative of the masses as much as possible. He believed in their decisive role and taught the Communist Party to rely on the people in all practical activities. He wrote: "...the minds of tens of millions of those who are doing things create something infinitely loftier than the greatest genius can foresee."<sup>2</sup>

One of the principal starting points of economic planning lies in the mandatory nature of the national economic plans. National economic development plans are endorsed by the country's supreme organs of power whereupon they become law and consequently are binding on all

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<sup>1</sup> Lenin. *Coll. Works*. Vol. 27, pp. 207-208.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 26, p. 474.

responsible for their execution. National economic plans presuppose mandatory assignments from the central bodies who endorse the national economic plan and decide on the economic growth rates including the accumulation consumption ratio for the national income as well as general economic and main balance between industries. Without directive planning, without the direct allotment of centralized investment and other vital resources between major industries and building projects it is impossible to shape the economic structure effectively.

Lenin set great store by long-term planning of the economic development of the Soviet Union. He wrote: "Do not be afraid of long-term plans, for without them you cannot achieve an economic revival; let us devote all our energies in the localities to their fulfilment."<sup>1</sup>

Lenin explained the meaning and the paramount significance of long-term planning of the first socialist economy in history. To build the new society, to create and develop the new economic system, one must have a clear perspective. While he underlined the decisive role of long-term planning, Lenin insisted on a unity between long-term and current planning. A long-term plan had to be given concrete expression in current plans, "it should be amplified, elaborated, corrected and applied in the light of well-scrutinized practical experience."<sup>2</sup>

Lenin regarded the plan as a means of mobilizing the people to solve the problems of socialist construction as quickly as possible. He

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 31, p. 511.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 32, p. 143.

wrote: "...we must carry away the mass of workers and politically-conscious peasants with a great programme for the next 10-20 years";<sup>1</sup> "...this is most important—we must be able to arouse both *competition* and *initiative among the masses*, so that they set about the job straightaway."<sup>2</sup>

At the same time, the working people's participation in planning has to be organized. That is why Lenin considered it necessary to begin planning from the top and bottom simultaneously. The government should direct planning, in Lenin's phrase, as gently as a conductor directs an orchestra.

Lenin also cautioned against the danger of building castles in the air. A plan, Lenin pointed out, must rally all resources and all of people's creative energy; it must be strenuous but feasible.

To prevent planning from getting wound up in red tape, the progress of the plan must be checked up on even at the preparatory stage. At the same time, proper control must promote the fulfilment of the plan adopted, the working people's initiative and efforts being an earnest of fulfilment and overfulfilment. The successful organization of plan fulfilment requires strict discipline, adherence to the national norms of labour and to production quotas, pre-set figures of merit and production costs, contracts between enterprises, output delivery plans, and so on.

Lenin regarded a rational system of stock-taking, accounting and statistics, and the prompt compilation of exact, scientifically classified sta-

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 35, p. 436.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 35, p. 467.

tistical data covering every area in the country and the entire economy, as essential and he was particularly concerned that such a system should be organized. The foundations of this system were set up on Lenin's instructions soon after the victorious October revolution. In 1918, the organization of the Central Statistical Board (CSB) and local statistical bodies was completed. In his instructions to Gosplan (the State Planning Committee), the first planning body in the history of the Soviet country, and to CSB, Lenin gave practical advice on how to organize stock-taking and statistics, to make them into an effective lever for building socialism, checking up on the fulfilment of economic plans, taking stock of resources, and providing the Soviet state with data required for the daily supervision and organization of the economic effort.

These principles, evolved by Lenin, have furnished the theoretical and organizational foundation on which the practice of socialist management and planning of the national economy of the USSR rests.

## First Steps in Economic Planning

■ Socialist nationalization of the principal means of production—land, large-scale industry, transport, the banks, foreign trade—made the methodical development of the socialist economic sector necessary and possible. On the basis of socialist production relations, the law of competition and anarchy of production ceased to be valid even during the period of transition from

capitalism to socialism, and the law of methodical development of the national economy, providing for the planned management of the national economy in the interest of society, emerged and began to take effect. At first its action was limited because during the transitional period petty economy and capitalist production co-existed with the socialist mode of production, and at that time the latter accounted for a smaller proportion of the national economy. The Soviet government was only beginning to master planning then. But, as socialist ownership of the means of production became firmly established and the socialist relations of production developed and strengthened, the law of systematic economic development gained ground so that more and more economic activities could be conducted according to plan.

The first measures taken by the Soviet state in the sphere of systematic organization of production were associated with the demobilization of industry.

The Soviet government inherited a seriously damaged industry from the bourgeois-landlord system which mainly produced war supplies for World War I. From the very start, the Soviet state was faced with an extremely complicated twin-sided problem: to switch industry over to peace-time production without a moment's delay, while rebuilding it radically on socialist lines in accordance with the new purpose of social production—the satisfaction of the working people's material and cultural needs.

A systematic reorganization to a peace-time economy and the production of consumer goods began straightforwardly—from top and bottom—all

over the country right after the victory of the socialist revolution. While a general plan of reorganization of industry and its branches was developed in the centre, concrete plans for switching individual enterprises to peace-time production were prepared locally. Workers' organizations at the plants and factories which had produced military equipment sent the information needed for working out the plan for demobilization of industry, reporting how many workers there were in the factory, fuel and raw material stocks, contracts in hand, and how far they were advanced, and how soon they could be expected to be completed, and so on, to the newly instituted economic bodies.

The success of the endeavours to overcome the economic dislocation and improve the people's living standard largely depended at that time on the rehabilitation of farming and transport, which had been especially hard hit by the imperialist war. The efforts of Soviet industry, therefore, were concentrated on carrying out that task first. Basic industrial enterprises were switched to the production of farm machinery and implements, the manufacture and overhaul of railway carriages and locomotives, engines, and so on.

Plans for switching industry to peace-time production also included the improvement of production methods. The nationalization of industry made it possible to amalgamate enterprises which had belonged to different owners, and concentrate production at better-equipped enterprises with more skilled workers in order to save labour and increase efficiency, to organize a common supply of fuel and raw materials, etc.

Departments of the National Economic Council in charge of individual industries were mapping out a new structure for each industry and a new specialization between the enterprises.

The task of reorganizing the economy on socialist lines was reflected in the early economic plans, such as the production programmes for factories, branches of industry and economic districts. These were the first current plans for short term use. Their development started in the factory. Production programmes drafted in this way were endorsed by the government after being considered by the National Economic Council. Even in the period right after the October revolution the central and local Soviet economic bodies accumulated a lot of experience of drafting production programmes for factories and economic plans for branches of the economy and separate districts. These plans fixed the output, the dead lines, the size of the labour force, the order in which a factory was to be supplied with fuel, raw material and money, and how much of each of these it was to receive. This was planned according to the type of factory, its material and manpower resources, on the one hand, and according to calculations of the quantity and type of producer and consumer goods required by the Soviet Republic, and a rough estimate of the extent to which these requirements could be met by home production and imports, on the other. The calculations were made from prewar norms, the available supplies of materials and the probable growth in labour productivity. To substantiate the production programmes, local Economic Councils and the National Economic Council inspected many

plants and factories to find out what state they were in and what working conditions they had, and estimated their resources and their supplies for the period for which the plan was drawn up. The production programmes drawn up in 1918 by the North District Economic Council for the metallurgical and metal-working industries are among the earliest planning efforts of this kind. The first programme was compiled in June for the following two months. It covered the operations of ten large factories in Petrograd (now Leningrad). Then the metals sector of the North District Economic Council drafted a second programme designed for four months, covering the operations of sixty metallurgical and metal-working plants and shops with a total labour force of nearly 35,000.

For the fourth quarter of 1918, a production programme was drafted by the paper sector of the Economic Council of the North District. This programme determined and directed the activities of nearly half of the paper industry in Soviet Russia.

Although these early production programmes were imperfect, they signified an important advance in organizing and planning industrial production. They made it possible to regulate and guide the operation of enterprises, point out the most viable among them, give them definite assignments to fulfil, and distribute the means of production among them. Production programmes demonstrated in practice what needed to be done to change from capitalist production anarchy, where the purpose of production is not to satisfy the needs of working people but to get as much profit as possible, to a systematic regulation of

production in the people's interest. This experience was widely applied in other districts in Soviet Russia.

Since the spring of 1918, the National Economic Council and local Economic Councils began to prepare production plans for separate branches of industry and districts on a national scale, designed for somewhat longer terms like six months or a year.

Soviet nationalized industry began to develop according to plan. Along with the planning of production, the National Economic Council also prepared plans for the distribution of industrial output, which, in turn, provided for effective production planning. To organize a systematic distribution of orders among industrial enterprises and the best possible satisfaction of the needs of the national economy for industrial products, the National Economic Council and local Economic Councils set up delivery and order departments. These departments collected requests for orders from the producer enterprises at one end, and requests of diverse economic establishments and departments for materials and finished goods at the other. On the strength of the requests received, the Central Delivery-Order Department of the National Economic Council collected information from enterprises and economic bodies as to their stocks of finished goods, what kind of products they could produce and on what scale, and how well they were provided with plant, raw materials and fuel. The principal functions of the Central Delivery-Order Department were to find out which industrial goods the economy needed, and how the supplies could be found at home and by imports; to plan the

placing of orders at home and abroad; to distribute such orders. The Department took charge of all orders and ensured their distribution according to plan. Orders were placed not only with nationalized but with privately-owned enterprises as well. The latter got the raw materials and fuel from the state and also received loans from the People's Bank.

Distribution of industrial output was also dealt with by the industrial departments of the National Economic Council. The systematic listing and distribution of orders enabled the National Economic Council to direct the activities of major basic industrial enterprises.

Thus new ratios and relations were gradually established between branches of industry, enterprises within a branch, and economic areas. The establishment of a new system of economic relations, the listing and systematic distribution of orders and control over the fulfilment of these orders, were among the more important and difficult problems in the early period of socialist construction.

It was extremely difficult to organize industrial production according to plan during the first year after the socialist revolution because of the shortage of fuel, metal, raw materials and plant. The problem of fuel and metal was one of the greatest problems of economic development at that time.

The Soviet government took the supply and distribution of fuel under its control and ensured a systematic distribution of coal with the assistance of factory committees, while steps were taken to organize and increase the production of all kinds of fuel.

In May, 1918, the Soviet government drew up a development programme for the fuel industry and adopted the plan for national fuel supply. Since the supply of coal from the Donets Coal Basin, the main source of fuel, had temporarily ceased, as it was then occupied by German imperialist troops, the plan was to develop coal production in the Moscow Coal Basin, the Urals and Siberia, and to increase the output of peat.

The Soviet state did much to carry out this plan. Very soon new mines were built in the Moscow Coal Basin, and the output of coal in the Urals and Kuznetsk Basin (Siberia) was stepped up.

The Soviet government also paid much attention to the metallurgical industry, which is essential for making the instruments and means of production. At that time, the Soviet Republic was extremely short of metal. In 1918, Soviet Russia (without the areas seized by the German imperialists) needed at least 111 million poods (a pood=16 kilograms) of metal or a half of the prewar supply. Of this amount, however, only 82-83 million poods of cast iron and steel—a starvation ration—was available.

The bulk of metal output had to be supplied by the metallurgical plants in the Urals, the principal base while the plants in the south were in German hands. The Soviet government drew up a plan under which the Urals metallurgical industry was to be rehabilitated and reconstructed and new branches of metallurgy and machine-building developed. But the progress of the plan was interrupted by foreign armed intervention.

After the temporary loss of the Urals, the Central district, with its low-powered, technolo-

gically backward works, was the only centre of ferrous metallurgy left to the Soviet Republic.

In view of the extreme shortage of fuel and metal, it was particularly important that careful stock should be taken of these resources and that they should be distributed systematically. The Soviet state took stock of and used according to plan all the reserves and new output of the coal and metallurgical industries. In 1918, according to the National Economic Council data, there were stocks to the tune of 30 million poods of metal in all the districts. These reserves of metal, as well as scrap metal, were placed under the control of the National Economic Council so that they could not be distributed without the sanction of its Metals Department. Under the state fuel supply plans, priority was given to enterprises which were particularly important to the national economy, such as power plants, water supply systems, flour mills, bakeries, factories working for the railways, agriculture, etc.

Planning and regulation of fuel, raw and other material supplies for industrial enterprises and of distribution of industrial output went hand in hand with the regulation of prices for capital and consumer goods alike.

Soviet experience has shown that at the first stage of planning it is impossible to draw up overall economic plans which closely co-ordinate the activities of every branch of social production. Until 1925, current (annual) planning only extended to some branches of the economy, with particular attention to the fuel, metallurgical, chemical, textile, and sugar-refining industries. The plans were tentative and not sufficiently co-

ordinated. The first attempt to draw up a national economic plan for the Soviet Union consisted of the "Estimated Figures" for the economic year 1925/26 (at that time the Soviet economic year started on October 1), which co-ordinated production and consumption for the first time.

Planning was especially difficult for agriculture, the largest industry at that time. Although land had been nationalized, the country had over twenty million small farms. It was utterly impossible to do any direct planning with this mass of isolated producers. That was why the Soviet state limited itself to economic measures aimed at regulating agricultural production. The state influenced farming to some extent by raising or lowering the prices for one or another type of farm produce, and financing the more labour-intensive crops by contracting for them well in advance, and then by supplying machinery, fertilizer and consumer goods to the more important agricultural districts. To aid farming, various co-operative organizations — credit, sale, and supply co-operatives — were also widely employed. Of great importance in this respect were large government farming concerns (the state farms), public and co-operative stations which hired out farm machinery, and pedigree stock breeding and seed-growing farms, etc.

The inauguration of the State Planning Committee (Gosplan) in 1921, which laid the foundations of the present ramified system of planning bodies, was of great significance to the organization of national economic planning.

Thanks to the organization of planned economic management, considerable success was achieved in economic development. In 1926, the

prewar (1913) level of industrial production was exceeded. The foundations had been laid for carrying out extensive plans for socialist industrialization.

Naturally, in the early period of Soviet government particular attention had to be paid to current production plans, because the main task of that time was to rehabilitate Russia's ruined economy as quickly as possible. Nevertheless, as early as 1920, Lenin put forward the idea of the long-term plan. One cannot work, he said, without having a plan for the long term for serious success. In that period of horrifying economic dislocation the first long-term national economic development plan was drawn up in the Soviet Union—the plan for the electrification of Russia, designed to take 10-15 years, known as GOELRO plan.

## GOELRO Plan

■ The young Soviet Republic had to launch peace-time economic development after the end of military intervention and civil war, in unbelievably hard conditions of economic dislocation and backwardness. Here are a few illustrations.

Engineering is rightly called the hub of industry, because it produces one of the principal elements of society's productive forces—the instruments of production.

The development of engineering in pre-revolutionary Russia was closely associated with foreign capital, whose share in this branch of industry had reached 60 per cent by 1916. Russia's dependence on foreign capital was not only a

result of her participation in industrial joint-stock companies but also because a considerable proportion of machinery and plant was imported from abroad. In 1913, Russian machine-building factories accounted for only 7.3 per cent of total industrial output.

Before the 1917 October revolution, no cars, tractors, excavators, metallurgical equipment, large generators or transformers were manufactured in Russia. The output of metal lathes was very small. The tool-making industry was poorly developed. Ninety per cent of tools and instruments had to be imported.

Pre-revolutionary Russia, according to Lenin, was only a quarter as well provided with modern instruments of production as Britain, a fifth as well as Germany, and a tenth as well as the United States.

The First World War and then civil war and armed intervention undermined the already poor engineering industry. In 1921, its output stood at about a fifth of the 1913 level.

In pre-revolutionary Russia in 1913 steel output amounted to 4.3 million tons. Russia lagged behind many countries not only in the amount produced but also in the technological standard of the industry.

The backwardness of the metallurgical industry was further aggravated as a result of World War I, the armed intervention and the civil war. In 1920, the young Soviet Republic only produced 115,600 tons of cast iron and 194,300 tons of steel.

Pre-revolutionary Russia was enveloped in darkness. The oil lamp and the splinter were the main lighting devices. Despite rich natural power

resources, electrification in Russia was at a much lower level than in the advanced countries of that period. Just before World War I broke out, power generation in Russia amounted to two thousand million kilowatt hours.

Low technological standards and dependence on German, French, Italian and Belgian private companies were typical of the Russian power engineering. Hardly any turbines and generators were produced at home and five to seven thousand kilowatt power stations predominated. The length of high-voltage transmission lines (of 22-30 kv) did not exceed 320 kilometres.

Naturally, the new society could not base itself on the old, decrepit economic foundation. Therefore Lenin suggested the shortest reliable way of overcoming the economic dislocation and reconstructing the country on socialist lines. It consisted in the "transition to large-scale economy based on machine industry"<sup>1</sup> founded on electrification. Why electrification? Because it provides for the development of all branches of the economy on a fundamentally different technological basis.

Electric power under socialism frees working people from heavy back-breaking toil, and increases the productivity of labour. This is what Lenin wrote about it in 1918: "In every socialist revolution, after the proletariat has solved the problem of capturing power, and to the extent that the task of expropriating the expropriators and suppressing their resistance has been carried out in the main, there necessarily comes to the forefront the fundamental task of creating a

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 27, p. 208.

social system superior to capitalism, namely, raising the productivity of labour, and in this connection (and for this purpose) securing better organization of labour.”<sup>1</sup>

Industrialization on the basis of electrification in Soviet society becomes the material and technical basis for building a communist society. Lenin said: “*Communism is Soviet power plus the electrification of the whole country.*”<sup>2</sup>

The role played by industrialization based on electrification in ensuring an upsurge of farming is obvious from the following statement by Lenin: “We must show the peasants that the organization of industry on the basis of modern, advanced technology, on electrification which will provide a link between town and country, will put an end to the division between town and country, will make it possible to raise the level of culture in the countryside and to overcome, even in the most remote corners of the land, backwardness, ignorance, poverty, disease and barbarism.”<sup>3</sup>

These examples do not exhaust the significance of industrialization on the basis of electrification of the national economy. It would be very hard indeed to overestimate the role of electricity in everyday life. It sets women free from drudgery and brings the nations closer together through radio and television. And new technological processes can be carried out, and new materials obtained, and so on, only on the basis of electrical energy.

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 27, p. 257.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 31, p. 516

<sup>3</sup> Lenin. *Coll. Works*, Vol. 30, p. 335.

In defending his plan of socialist reorganization of the Soviet country, Lenin patiently and persistently explained that electrical energy is the all-embracing and all-pervading motive force which ensures the improvement of the productive forces and the growth of socialist society's economic potential.

Lenin always kept the questions of national economic regeneration in sight. So it was no wonder that even as early as five months after the victorious October socialist revolution he already published the "Draft Plan of Scientific and Technical Work" addressed to the Academy of Sciences. In this plan, Lenin drew special attention to the "electrification of industry and transport and the application of electricity to farming, and the use of lower grades of fuel (peat, low-grade coal) for the production of electricity, with the lowest possible expenditure on extraction and transport."<sup>1</sup>

In appealing to the Academy of Sciences, Lenin pursued two purposes. First, that the colossal plans for transforming Russia should arouse patriotic feelings in many old scientists, to make them revise their political views and side with the Soviet government. Second, to make them recognize the new government and to help it to establish itself firmly. Lenin realized that without winning the support of the scientific and technical intelligentsia it would be extremely difficult, if not impossible, to restore the ruined economy, let alone to reorganize it on radically new lines. Nevertheless, Lenin did not just want to draw trained experts into working out indus-

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 27, pp. 320-321.

trialization plans, and stop there. On the contrary, he wanted to draw the working millions into the great battle to transform this once backward Russia, through industrialization, to the building of a socialist society. He wrote: "We shall evolve an extensive plan of work which must, in the minds of the peasantry, have a clearly defined practical aim. This cannot be done in a few months. The minimum programme should cover no less than three years. Without lapsing into utopias we may say that in ten years we shall be able to cover all Russia with a network of power stations and go over to an industry based on electricity that will meet the requirements of modern technology and put an end to the old peasant farming. This, however, requires a higher level of education and culture."<sup>1</sup>

Preliminary work on the electrification of the national economy was soon launched, and in January, 1918, a Commission for Investigating the Sources of Energy in Soviet Russia was set up under the Electrical Engineering Department of the National Economic Council. Its tasks were:

- (1) to collect and check, the available data on energy sources and to study them further;
- (2) to prepare scientifically-based data on the utilization of this energy by a public network of district electric power stations.

Work soon began on the electrification of the Petrograd and Moscow districts. New power stations were designed to be built on the Volkhov and Svir rivers in north Russia, at the town of Shatura near Moscow, in the Donbas, the Urals,

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 30, pp. 377-378.

on the Volga, and in the Northern Caucasus, and surveying, earthwork and other preparatory work began in a number of places.

The Central Electrotechnical Council, which was instituted in 1918 and included some of the most prominent electrical engineers, became an important centre of preparation for the electrification of the Soviet Republic. The Council's principal task was to work out the technological problems and prepare the estimates for the development of the power industry as fast as possible. The Council also prepared the scheme for the electrification of Russia, establishing the number, capacity and location of power stations to be built in order to restore and advance the national economy, and the methods for building up the productive forces by using the energy of water, peat, coal and other local fuel resources.

Even at that time the Soviet government started work on a number of practical measures concerning the construction of the peat-fired Shatura steam electric station and the Volkhov and Svir hydroelectric power plants. By specialists' estimates, the construction of the Volkhov and Svir hydroelectric power plants alone would, besides meeting the needs of Petrograd, provide appreciable reserves of power for the further electrification of that major industrial centre.

During the first two years of Soviet government, the capacity of the Russian electric power stations was increased by 3,500 kilowatt. It was a modest beginning, but it was a beginning.

Towards the close of 1919, it became quite obvious that it was necessary to draw up an

overall national plan as, even restored and used to full capacity, the existing power stations could not provide a sufficient power base for the radical reorganization and upsurge of the Soviet economy.

In Lenin's view, the plan for electrification "must be provided right away, in a visual, popular form, for the masses, so as to carry them forward with a clear and vivid perspective (entirely *scientific* at its foundations): let's set to work, and in 10-20 years we shall make all Russia, both industrial and agricultural, *electrical*."<sup>1</sup>

In February, 1920, on Lenin's initiative, the State Commission for the Electrification of Russia (GOELRO), which handled all work on the compilation of the single economic plan, was set up. The best experts—power engineers, electrical engineers, irrigation engineers, economists, etc.—were invited to take part in the elaboration of this plan.

The authors of the GOELRO plan were faced with a difficult task. They had to prepare an economic document, fundamentally new, both in content and in the methods of elaboration, that was to determine the main lines of economic development on a nation-wide scale for the next one and a half decades.

Under the plan, the country's industrial development was to rest on an extensive network of comparatively large district power stations most of which were to use local power resources.

The preparation for the electrification projects of the most important districts in the Soviet

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 35, p. 435.

state, started in the first year after the socialist revolution and continued during the period of armed intervention and civil war, laid down the scientific and organizational principles on which the first long-term GOELRO plan was drawn up in 1920.

The main rules for drawing up this plan, elaborated by Lenin, pointed out that (1) it was to be a national, mandatory plan, an "assignment for the proletariat," which must join together its creative constructive efforts; (2) the plan must include a production programme and a technological plan, elaborated with the help of numerous specialists; (3) the technical reconstruction of the national economy must have, for its foundation, the electrification of the country; (4) dozens of large district power stations were to provide the power base from which the technological re-equipment of the economy was to be launched; (5) new power-producing centres should be based on local fuels (peat and local coal deposits) and water power and they should be the pioneers of the economic upsurge of all the districts of the country.

The Communist Party and Soviet government drew the close attention of all Party organizations and Soviet economic bodies to the drafting of the electrification plan. Electrification was specially considered and discussed by a session of the All-Russia Central Executive Committee. Lenin, who spoke at the session, underlined the imperative necessity of working out a single economic plan. This idea was embodied in the resolution on the electrification of Russia, adopted at that session.

Apart from that, the Central Executive Com-

mittee resolved to take a population census in 1920 as well as an overall industrial and agricultural census to obtain reliable statistical data which was indispensable to the drafting of any long-term or current economic development plans. The censuses were taken in August, 1920.

In his instructions to the Commission, Lenin insisted that each section of the district plans and the plans drafted for individual branches of industry should be concrete and well-substantiated, advising the Commission to proceed from their knowledge of the actual resources and possibilities, as well as taking the achievements and the trends in the development of science and technology into account.

The electrification plan was largely completed in October, 1920. The GOELRO members wrote in their foreword: "After us, others will come who, in more tranquil times, and with a better reserve of strength and means to draw on, will be able to continue our scientific analysis, correct our errors, and open a wider perspective. We, who have had to work in hard times, felt most keenly the blows that were aimed at the working people of our Motherland from every part of the hostile world..."

"In a big collective effort, a certain lack of co-ordination between the parts, and numerous errors are inevitable. Nevertheless, we were inspired by an earnest desire to respond, to the best of our ability, to the lofty creation of the new life which it has fallen to our country to usher in. Our work is just the beginning."

After the GOELRO plan was discussed at the All-Russia Electrotechnical Congress "in order to discuss the technological and economic mat-

ters associated with implementing the plan of the electrification of Russia fully, and to enlist the active participation of wide sections of the people in the electrification of the national economy" and proposals and suggestions had been made by Congress delegates, the plan was endorsed by the Soviet Government in December, 1921.

According to Academician Gleb Krzhizhanovsky, who headed the State Commission for the Electrification of Russia, the GOELRO plan was the Lenin plan for building the material foundation of socialism in the country on the basis of electrification, the first national long-term plan for the restoration and socialist reconstruction of the economy of Soviet Russia on the highest technological basis. Implementation of the GOELRO plan was to bring the economic front, which was extremely backward and heterogeneous, level with the world's most advanced political front, the Soviet peoples' workers' and peasants' democracy led by the working class and its vanguard, the Communist Party.

GOELRO envisaged a programme of extensive socialist economic development in the sphere of industry, agriculture and transport which outlined an economic growth rate such as no bourgeois country, let alone the Russia of the landlords and capitalists, ever had or could have.

The electrification plan of Soviet Russia proceeded from the aim of social production under socialism, to provide for an ever fuller satisfaction of the material and cultural needs of society. To realize this aim, it was necessary to provide for a continuous growth in social pro-

duction on the basis of the most advanced technology.

Under the electrification plan, not only was the volume of industrial output brought to the 1913 level, it was to be doubled in the space of ten years. The following will illustrate the great scope of the programme. In 1920, before the GOELRO plan was adopted, industrial output was one-seventh, and farming output two-thirds, of the prewar level. Under the electrification plan, the extraction of oil was to be increased nearly fourfold, and of coal more than seven-fold, while the output of cast iron was to be increased 70-fold, of steel 33-fold, of cotton fabrics 13-fold, and so on.

As regards power production, thirty electric power stations with an aggregate capacity of 1.5 million kilowatt hours were to be built under the GOELRO plan, as well as ten hydroelectric power and twenty steam electric power stations using peat, local coal and shale.

Of course from to-day's point of view, it was a fairly modest programme. But for the young Soviet Republic as it was in 1920, with its dislocated economy, a plan like that, envisaging a nearly tenfold increase in power capacity compared with 1913, was daring to a fault.

Electrification of the country and creation of large-scale industry provided favourable conditions for the socialist reorganization of agriculture and elimination of backwardness.

The GOELRO plan outlined a radical change in the national economic structure. It envisaged, among other things, a speed-up in the development of metallurgy, power engineering, mechanical engineering and the chemical industry.

The plan divided the country into a number of large economic areas, based on a rational territorial distribution of social labour and production over districts and zones, taking account of the particular features of their economy, of natural, raw material and power resources, and of the national complexes which existed in these districts.

The electrification plan envisaged the eastward movement of industry. Eight district electric power stations were to be built in the Urals and the Volga area, four in the Caucasus, and three in Siberia and Turkestan (Central Asia). A number of large district power stations were also projected in other national republics and regions.

In the GOELRO plan the balance method of planning was employed for the first time. The district and branch plans were co-ordinated so that they formed a single national economic plan.

Production, building and financial programmes and other sections of the plan were checked and co-ordinated by a system of technical-economic indices and calculations, and tentative estimates of material and financial balances.

In order to restore and develop industry as envisaged by the 10- to 15-year plan, up to 17 thousand million gold roubles had to be found. The financial programme of GOELRO was calculated on the basis of a favourable foreign trade balance. Exports were expected to yield 11 thousand million gold roubles. The other six thousand million roubles were to be obtained at home, as a result of credit operations, concessions, and so on.

In the electrification, plan the Soviet Republic had "an embryonic calendar programme for a number of other items... This is more than a general plan: it is an estimate for each year, from 1921 to 1930, of the number of stations that can be run in, and the proportions to which the existing ones can be enlarged..."<sup>1</sup>

The GOELRO plan was a scientific and realistic plan. Its targets were based on an objective appraisal of the state of the national economy and of the natural resources of the young Soviet Republic. The plan was worked out with an eye to those natural resources which could be exploited immediately. On the basis of the contemporary science and technology, it calculated the designs of the power stations, their combination into single grids, transmission of current over long distances, production capacity per branch of industry, mechanization of production, and so on.

As it set well substantiated tasks, the GOELRO plan also included the practical measures for accomplishing them. Lenin was confident that the tasks set by the plan would not only be fulfilled but overfulfilled thanks to the energy and initiative of the builders of socialism. He wrote: "We must avail ourselves of the progress of science and practice, and must steadfastly strive to get the plan fulfilled in the localities ahead of schedule... Let us improve our methods in every workshop, in every railway depot, in every sphere, and we shall shorten this period."<sup>2</sup>

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 32, p. 140.

<sup>2</sup> Lenin. *Coll. Works*, Vol. 31, p. 511.

And though the GOELRO plan set a rather high growth rate for power engineering, it was considerably exceeded. In 1935 in the Soviet Union electric power generation reached 26.3 thousand million kilowatt hours, three times as much as the plan had envisaged.

During that period forty (instead of thirty) district power stations were put into operation, including the Dnieper Hydroelectric Power Station named after Lenin.

As a result of the fulfilment of the GOELRO plan, the structure of the economy of the USSR changed drastically. The relative share of industry increased. The Soviet Union became the first in Europe and second in the world for industrial output.

## Paving the Way for the First Five-Year Plan

■ In 1928, the Soviet national economy began to develop on the basis of five-year plans. The elaboration of the first state economic development plan of the USSR was preceded by extensive measures to create the political, economic and organizational prerequisites and to draw general conclusions from the experience of planned economic management that had been accumulated.

As the economy had been rehabilitated and was now to be reconstructed, socialization of the principal means of production increased, and the need to co-ordinate the development of diverse branches of the economy, the introduc-

tion of a single national economic plan became imperative.

In practical terms, the road to a single economic development plan for the whole Soviet Union lay through economic plans worked out over a number of years for individual branches of the economy, the stabilization of currency and a budget without deficit. The process by which the conditions for the development of such a plan were created intensified every year. The compilation of economic plans for various industries, regions and economic areas enabled the planning bodies to amass the experience needed for drafting a single national economic plan for the USSR.

In the 1924-25 economic year major advances had been made in planning the branches of the economy. Better-substantiated branch programmes in industry were drafted, and a fixed annual national budget drawn up; the planning principle was introduced into state grain and raw material purchasing, and directive Soviet bodies fixed both the size of the purchases and the amount of money to be spent; plans for goods deliveries began to be used; state planning extended over the entire complex and ramified banking system.

These favourable prerequisites enabled the State Planning Committee to start working out the Estimated Figures of the national economic development of the Soviet Union in draft form for the 1925-26 economic year.

The name "Estimated Figures" was an analogy with the estimated figures of the People's Commissariat of Finance (the USSR Ministry of Finance at present) in which the budget pro-

posals were sent to various departments. The Gosplan Estimated Figures, however, had a wider aim—they were an expression of the preliminary instructions on the principal processes and facts of the economic life of the Soviet Union subject to government regulation in terms of figures. In drafting the Estimated Figures the idea was not only to show the development of the most important aspects of the national economy in terms of figures but also to reduce them to a single close-knit system.

The Estimated Figures draft for the economic year 1925-26—in organization, methods of elaboration and content—were still a far cry from later economic plans.

And it became increasingly obvious that annual plans alone were not enough, that long-term economic development plans were also necessary.

The first steps made in this direction were the Estimated Figures draft for 1925-26 and a rough sketch of the five-year plan for 1925/26-1929/30, which were discussed in March, 1926, by the First National Congress of Soviet planners. The Congress appraised the first effort in this kind of planning as a notable success.

The 1925-26 Estimated Figures were not yet a single government plan binding on all central departments, Union Republics and regions of the Soviet Union.

They fixed certain general, co-ordinated indices of economic development, including the gross and commodity output of industry and agriculture, the quantitative output of staple farm produce, the area under the plough, the number of cattle, the output of the main branches of in-

dustry, the number of factory workers, wages, labour productivity, the volume of trade, goods turnover, capital expenditure and the State Budget. When working out the estimated figures, no calculations were made concerning national income, total industrial output, the facilities available for capital construction, etc. Nevertheless the Estimated Figures contributed to the preparation of branch plans for 1925/26 and to the emergence of the methods for national economic planning in the USSR. Certainly the experience gained in working out these figures had a considerable impact on the practice of planning not only because of its good points but by its errors, for these were found and taken into account by Gosplan when they worked out the Estimated Figures for the following year, 1926/27. This time the figures were compiled with participation from the Union Republics and national departments. The method of balances was the principal method of working out the plan. Alongside the balance method, statistical and dynamic rates were also used, while the plan was regarded by its compilers as both a forecast and a directive. Another important thing was that the Estimated Figures for 1926/27 were compiled for a wider range of rates than Estimated Figures for the previous year.

A still wider range of rates were used in drafting the Estimated Figures for 1927/28. These included items concerned with social and cultural development for the first time, and suggested a quarterly division of certain production targets, and they also included many points on the employment and reproduction of the labour force

and trained personnel and presented a district cross-section of the plan.

The Estimated Figures for 1927/28 started the process which grew into the single national economic plan. They were no longer just a common reference point for the whole economy. Their different sections were endorsed and became mandatory on the relevant departments. This process developed further in the Estimated Figures for 1928/29 and 1929/30 which were closely associated with the first five-year plan, and gave concrete shape to its programme.

The switch from economic rehabilitation to reconstruction, industrialization and socialist reorganization of agriculture made a single long-term economic development plan imperative.

In the new conditions of socialist construction it became necessary to concretize a plan for building the foundation of socialist economy, as the GOELRO plan, designed for 10-15 years, had been. The stupendous social and economic changes to be worked could not be squeezed into periods of a year. They required a long-term plan.

Lenin, who foresaw that such a need would arise, had pointed out in January, 1923, that after the socialist revolution "...we now have an opportunity which rarely occurs in history, of ascertaining the period necessary for bringing about radical social changes; we now see clearly *what* can be done in five years, and what requires much more time."<sup>1</sup>

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<sup>1</sup> Lenin. *Coll. Works*, Vol. 33, p. 483.

In a five-year plan one can take into consideration the urgent requirements of society's material life and foresee their further development, ascertain the real material and other resources accurately enough, draft a practical programme for production and construction, and establish the principal national, inter-industry and inter-district balances. Calculations showed that it took an average of five years to build and put into operation major industrial enterprises, hydroelectric power plants, canals and railways. Five years was a long enough period for establishing the tasks for technological progress and for introducing the latest plant and up-to-date technologies and for estimating the economic effect of raising the technical standard of economic branches. All this suggested that it was expedient and necessary to work out five-year economic development plans.

The first five-year plan of the Soviet Union was prepared by the successes scored in industrialization and the rise of co-operation in farming, the upsurge of enthusiasm which involved a greater proportion of the workers and peasants every year. In launching industrialization, the Soviet state relied both on the old and modernized factories, which made it possible to develop industry at an accelerated rate.

Another significant thing was that by the start of the first five-year plan it had become possible to collectivize farming. By that time, industry was in a position to produce considerable supplies of tractors and other farm machinery for the countryside.

## How the First Five-Year Plan Was Drafted

■ In December, 1927, the 15th Congress of the Communist Party of the Soviet Union endorsed the directives on the drafting of the first five-year plan for the development of the national economy of the USSR for 1928/29-1932/33.

The directives envisaged a rapid growth in heavy industry, the collectivization of agriculture, and an improved defence potential. They pointed out the ways of levelling the imbalance between industry and agriculture, the available and required manpower resources, etc., inherited from the bourgeois landlord system. The directives stressed that it was necessary to ensure a correct balance in the development of the economy—extended reproduction of the socialist form of economy, the most favourable combination of the growing accumulation and consumption, and the elimination of the economic lag of some republics and national districts.

While drafting the first five-year plan, Gosplan worked out the first co-ordinated system of indices both over the branches of the economy and over the Union Republics and economic areas, thus ensuring a uniform approach of all the Soviet planning bodies to the drafting of the plan. Gosplan determined common principles for calculating, grouping and summing up the major indices for the draft plan. For example, they introduced a uniform classification of industries and industrial nomenclature, a single system of comparable prices, etc.

In planning the development of individual

branches of industry and transport, technical and economic calculations were used much more widely than approximate estimates by experts, which had previously been used extensively in working out the Estimated Figures.

In preparing the draft of the first five-year plan all the principal types of material, labour and financial balances were worked out for the first time, while the list of balances of the production and consumption of industrial and agricultural output was extended considerably. More attention was paid to financial balances, especially the summary financial plan of the Soviet Union and the planned balance of personal money incomes and expenditures, which made it possible to co-ordinate the estimated government revenue and spending, and the incomes of the population with trade. The calculation of the balance of manpower resources made it possible to ascertain the level of employment in the towns and rural areas, and work out measures to abolish unemployment (which still existed at that time) and overpopulation in the countryside.

In drafting the first Soviet five-year plan, Gosplan fell back on the plans drafted by the National Economic Council and economic People's Commissariats (now ministries) of the Soviet Union, as well as on the plans drafted by the Union Republics.

Public organizations and workers of industrial enterprises and scientific centres took part in the drafting of the five-year plan alongside economic and planning bodies.

About twenty special conferences were held in November 1928-February 1929, attended by scientists and practical workers from many

branches of the national economy, to discuss and substantiate the proposed targets of the five-year plan. These conferences were a real help in drafting the five-year plan, above all, in substantiating the proposed targets technically and economically taking into account the developments in science and technology at home and abroad.

For the first time, the state's long-term plan for the USSR covered all major branches of the economy. The plan for industrial production was worked out for 50 branches—compared with 17 in the GOELRO plan. It included the main indices for development in agriculture, transport, building, trade, culture and health. The plan was not only drafted for the Soviet Union as a whole but also for every Union Republic and larger economic area.

The first five-year plan for 1928/29-1932/33 was endorsed by the 5th National Congress of the Soviets in April and May, 1929. It was based on an optimal variant which was very different from the initial long-term targets drafted in 1927-28.

The five-year plan was the first relatively detailed long-term programme of development for all the branches of the economy. It was to lay the foundation of socialist economy in the USSR. It set concrete and calendar targets of economic and cultural development, the volume and rate of development for certain branches of the economy, and projected the economic proportions which provided for the growth of socialist economic forms to the detriment of the capitalist elements. The industrial growth targets determined the scope and rate of development of

other branches, and provided the material conditions for the upsurge and socialist reorganization of the entire Soviet economy.

The main aim of the first five-year plan was to build a powerful enough heavy industry to provide for the reorganization of the whole economy, to turn the Soviet Union (at that time still a backward agrarian country) into an industrially advanced independent country and, finally ousting the capitalist elements, to ensure the triumph of the socialist economic forms. To this end, it was planned to channel more than four-fifths of all capital investment into the development of the socialist economy in town and country.

The plan fixed the capital investments for 1928-32 at 64.6 thousand million roubles. About 30 thousand million roubles of this was channelled into industry and transport. It is significant that the industrialization targets set by the first five-year plan were far greater than the targets set by the GOELRO plan, which was a plan for 10-15 years. For example, the first five-year plan envisaged the construction of 42 district power stations against 30 under the GOELRO plan, the production of 10 million against 8.2 million tons of cast iron, the extraction of 75 million against 62.3 million tons of coal, etc.

To ensure priority development in heavy industry, about three-quarters of the capital investments went to industries producing capital goods. Over 1,500 industrial enterprises were built including vital projects like the Dnieper Hydroelectric Power Station, the Svir Hydroelectric Power Station, power stations using peat

and coal from the Moscow Coal Basin, the large Magnitogorsk, Telbes, Dnieper and Krivoi Rog metallurgical plants, tractor plants in Volgograd and in the Urals, the Sverdlovsk Heavy Engineering Plant, the Rostov Farm Machinery Plant, chemical plants at Berezniki, in Moscow and in the Donbas, and many other industrial enterprises.

High industrial growth rates were the most significant feature of the first five-year plan. The average annual growth of industrial output envisaged in the plan was 18.7 per cent. Over the five-year period gross industrial output was to increase 140 per cent, the output of capital goods increasing threefold and of consumer goods, twofold. By the end of the five-year period, industry was to take the leading place in social production whereas in pre-revolutionary Russia agriculture had predominated.

The five-year plan stipulated the establishment of a number of new branches of heavy industry, and an extensive reconstruction of existing enterprises, whereby the fixed assets of industry were to be increased more than 200 per cent over the five-year period. The socialist sector was to be greatly expanded by developing the state enterprises and by extending the activities of co-operative organizations in small-scale industry.

The first five-year plan envisaged a stupendous programme of socialist reorganization of farming through active government control over the process of socialization to turn the small-scale disunited peasant economy over to large-scale collective farming. By the end of the five-year period, the socialist sector of farming, the col-

lective and state farms, were to provide 43 per cent of all marketable grain.

Under the five-year plan, railway traffic was to be nearly doubled, rising from 88 thousand million ton-kilometres in 1927-28 to 163 thousand million ton-kilometres in 1932-33. The home market was to be mastered by a further development in government and co-operative trade and a gradual ousting of private business. The socialist sector's share in trade was to be brought up to 91 per cent by the end of the five-year period.

Along with the impressive tasks of industrializing the country and collectivizing agriculture, the five-year plan stipulated a rise in the people's standard of living. Particular attention was paid to eliminating unemployment in urban areas and reducing overpopulation in rural areas by increasing the number of workers engaged in industry and construction, and by developing the production of labour-intensive industrial crops in the countryside.

The first five-year plan became a gigantic programme for abolishing not only economic but also cultural backwardness, a programme for gradually re-educating the masses in the spirit of conscious participation in building socialism.

Mobilizing the material and financial resources to ensure the industrialization of the Soviet Union was a major economic problem which had to be solved during that five-year period. Unlike industrialization in capitalist countries, the Soviet Union found internal sources of accumulation, such as the profit yielded by socialist enterprises and amortization. Taxes and loans played a much smaller part.

The first five-year plan came into effect on October 1, 1928. The drafting and approval of the plan had been an unprecedented event. The plan, drawn up on the basis of Marxist-Leninist social science, Lenin's theory that socialism can begin by being victorious in one country, and an awareness of the operation of objective economic laws, was a model of the economic policy of the Soviet state engaged in building a socialist society.

## The Fulfilment of the First Five-Year Plan

■ But planning is not just drawing up plans—that is only the beginning. Real planned management means a tremendous effort to organize the accomplishment of the plans, and this begins after they have been drawn up. Planning is the sum of drawing up the plan and the struggle for its realization.

Guidance in the practical implementation of national economic plans is, perhaps, the most important part of the function of economic management in the Soviet state for, without it, national economic planning could not exist.

The Soviet state, relying on public ownership of the means of production, introduces measures to promote the realization of the plan and then controls its progress.

In organizing and leading the efforts of millions of working people to realize the national economic plans the responsible Soviet bodies proceed from the instructions of the Communist

Party stating that once solution has been found to a problem, success depends above all on translating the decision into practice.

In this respect, the Communist Party proceeds from Lenin's statement that to carry out the all-important policy expressed in economic plans, one must organize millions and scores of millions of people to a persevering and continuous effort.

It firmly determined that the realization of the plans must not be allowed to take care of itself, that the targets set were to mobilize them, and to carry them to success was therefore the paramount concern of all Party, Soviet, economic, trade union and YCL organizations throughout the Soviet Union.

Adopting the first five-year plan for 1928/29-1932/33 the 16th Communist Party Conference, held in 1929, pointed out that in the course of its realization they would have to surmount formidable obstacles, both internal and external, arising from the strenuous nature of the plan and from the country's technological and economic backwardness, the great complexity of the task of reconstructing the multimillion scattered peasant economies on the basis of collective work, and finally from the fact that the Soviet Union was surrounded by capitalist countries on all sides. Coping with these difficulties and carrying through the five-year plan is only possible on the basis of an immense growth in the activity and organization of the masses, and of the working class in particular, on the basis of a full involvement of the working-class millions in socialist construction and economic management, on the basis of the development of socialist emu-

lation and the criticism of the masses against bureaucracy.

The vigorous work of the Communist Party and the Soviet government in supervizing the realization of plans covers all aspects of economic, cultural, educational and social activities. They organize scores of millions of workers in town and country, to focus their will, energy and efforts on realizing the plans. For this purpose, the entire Soviet economic potential, and material incentives to good results whether of entire enterprises or individual workers, and the mobilizing force of communist education are used.

Fulfilment and overfulfilment of state national economic plans of the USSR are promoted by speeches, the press, cinema, radio, television, art, and by the variety of measures which improve everyday amenities.

Socialist emulation, the people's will to work, their readiness to work in a new way became the most all-embracing struggle by working people to fulfil the economic plans.

The 16th Communist Party Conference adopted a special appeal "To All Workers and Working Peasants in the Soviet Union" which pointed out that to fulfil the five-year plan it was necessary to organize emulation in every area of economic development. The aim of emulation was to reduce costs, increase labour productivity, and to strengthen labour discipline.

The Appeal also pointed out that socialist emulation is a powerful method of arousing and organizing the initiative of the masses to fulfil the five-year plan, and that it is also an excellent way of encouraging criticism at grass roots.

Towards the end of 1929, when, as a result of an upsurge of labour enthusiasm among the Soviet people, they began to beat the targets of the first five-year plan, and new reserves of production growth were discovered, the Soviet working people launched a drive to complete the five-year plan in four years.

One of the principal factors in the early fulfilment of the first five-year plan was, above all, the devoted effort, enthusiasm and initiative of millions of factory workers and collective farmers who, together with the engineers and technicians, spread the socialist emulation movement throughout the Soviet Union.

Factories, plants, mines, railways, state and collective farms, offices and even schools and hospitals joined the emulation movement vying for the best results. It was a strong lever which helped the working class, collective farmers and Soviet intellectuals to re-build the economy on a socialist basis. In contrast to capitalist rivalry with its inhuman law, "Each man for himself, and the devil take the hindmost," the principle of socialist emulation was for the better workers to help and teach those who lagged behind so as to achieve a general upsurge of the national economy.

To make socialist emulation more effective and public, the Communist Party organized mass production roll-calls everywhere during which workers took on obligations and made special agreements. Socialist emulation became a communist method of building socialism.

In August, 1929, the first inspection of the fulfilment of socialist emulation agreements was held. By that time hundreds of enterprises had

exceeded their production schedules. In December of the same year an All-Union Congress of Crack Teams, attended by over a thousand delegates from all over the Soviet Union, was held in Moscow.

So, vying with each other for the best results, the working people of the Soviet Union began to build the economic foundations of socialism. One after another, the Urals Engineering Works, the Gorky Automobile Plant, the Kharkov Tractor Plant, the Magnitogorsk and Kuznetsk Metallurgical Works, and other mammoth works were built. Strenuous work went into turning the Soviet Union from an agrarian country with low technological and economic standards into an advanced industrial nation.

The Communist Party and Soviet Government also mobilized the required financial resources. The means at the disposal of working people were mobilized through loans and by the savings banks and the state withdrew a considerable proportion of the funds accumulated by the capitalist elements by taxation.

Inspecting the progress of the plan was essential to its fulfilment, the more so as the Soviet government's point of view was that the plan must be improved in the process of its fulfilment.

Many difficulties, bottlenecks and shortcomings came to light, and the government took measures to right them. To end the imbalance between the industrial development and electricity supply in a number of key areas like the Donbas, the Kuzbas, Leningrad, Moscow, Gorky, the Urals, it was decided to build more power stations than had been planned. Since industrialization could hardly rely on the southern mining

and metallurgical base alone, it was decided to set up a second metallurgical centre in the east using the richest coal and ore deposits in the Urals and Siberia, and to build the Urals-Kuznetsk Metallurgical Integrated Works. And since collectivization was proceeding faster than had been expected, it became necessary to increase the output of tractors, farm machines and cars, to develop the chemical industry still more and to speed up the construction of the tractor plant in Chelyabinsk, the combine plants in Zaporozhye, Siberia and Saratov, and the automobile plants in Moscow and Gorky, and so on.

As a result of systematic inspection of the progress of the five-year plan, certain decisions had to be made. The November Plenum of the Central Committee of the CPSU, held in 1929, proceeding from the results of the first year of the plan, set the goals and fixed the principal assignments for 1929-30. The 16th CPSU Congress, held in July, 1930, discussed the progress of the five-year plan in industry, the collective farm movement and the upsurge of agriculture. In December, 1930, the Plenum of the Central Committee of the CPSU, proceeding from the results of the first two years of the plan, decided on the major targets for 1931. The resolution of the CPSU Central Committee of January 5, 1930, was devoted to the rate of collectivization and government assistance for collective farm development. On January 10, 1931, the Central Executive Council of the Soviet Union discussed the training of skilled workers. The resolution of the Council of People's Commissars of January 14, 1931, outlined measures on the credit reform.

In view of the colossal tasks of building and technically reconstructing industry stipulated by the first five-year economic development plan the system of industrial management had to be altered.

Practice showed that in a socialist economy industrial management must include all economic functions. Besides general management—distribution of the fixed assets of an enterprise, new construction, placing, financing, etc., current management was also needed—the mastering of the latest scientific and technological developments, the reconstruction of production, raw material supplies, the marketing of output, etc.

These functions were performed by the National Economic Council of the USSR which included economic planning, research and technology departments as well as departments which controlled various branches of industry. This system of industrial management was unsuitable where large-scale construction, the inauguration of new lines of production and the introduction of sophisticated plant were concerned. So, after 1930, steps were taken to break up the National Economic Council into people's commissariats (ministries). In early 1932, the National Economic Council was reorganized into the People's Commissariat of Heavy Industry. Two more people's commissariats were formed—for the light and the timber industries. To promote the fulfilment of the economic plans, the division into districts was improved. Public organizations also made their contribution. Trade unions were broken up into smaller units to enhance the role of national industrial unions. The supply

system was reorganized. Factory offices now ran departments responsible for supplying workers with basic necessities.

To achieve the targets of the first five-year plan, economic management had to be radically altered and the organization of labour improved. It became necessary to abolish fluctuations in the supply of labour, to create wage differentials, and to improve the workers' living conditions. Industry needed more skilled workers, engineers and technicians. It was also necessary to introduce economic cost accounting and step up industrial accumulation.

To introduce cost accounting, some vital measures had to be taken in the financial and credit relations between enterprises. So, in 1930, a credit reform was introduced, ending the commercial credit system, under which individual enterprises provided credit for each other, and sometimes for private producers as well, credit in goods, the issue of bills of exchange which the bank discounted. Because of commercial credit, working capital shifted haphazardly from one enterprise to another, and this interfered with planned economic management. Instead of commercial credit, direct financing by the State Bank was introduced. The latter began to grant credit to enterprises on the basis of cost accounting, exercising "control by the rouble" over the fulfilment of production schedules, the prudent use of working capital, the reduction of cost and accumulation of profit.

Thanks to the new system of payments, cost accounting was strengthened, the regime of economy prevailed, production costs went down and accumulation in industry began to grow.

The consolidation of cost accounting and growth of accumulation at the socialist enterprises enabled the Soviet state to concentrate the means for carrying out the main tasks of the first five-year plan in its own hands. The decisive part of the means (76 per cent) needed for socialist construction at that time was mobilized through the State Budget.

## The Main Results of the First Five-Year Plan

■ Under the guidance of the Communist Party the first five-year economic development plan of the Soviet Union was accomplished in four years and three months.

The main result was that the foundation of socialist economy was built in the USSR so that the USSR became an industrial country.

During the first five-year plan, they created or completely rebuilt ferrous metallurgy, machine-tool construction, the car-and-tractor, chemical and aircraft industries and the farm machinery industry. Soviet heavy industry was set firmly on its feet, which created an independent base for the complete reconstruction of the national economy, the base of socialist large-scale mechanized industry.

In agriculture, socialist forms, i.e., collective and state farms, dominated. Whereas before the revolution Russia was a country of small and infinitesimal landed property, under the Soviet system she became a country of large-scale farm-

ing based on collectivization, the development of state farms and an extensive use of machinery.

The five-year plan gave particular prominence to the building programme. The capital investment targets were successfully achieved—the capital investments in the socialized sector exceeded the plan by 12 per cent, and in heavy industry by 45 per cent; 96.4 per cent of the target for gross industrial output was achieved, while the capital goods industries (Group "A") achieved 110 per cent, that is 10 per cent over their target.

The Soviet Union became an economically independent nation. Thanks to the rapid growth of the socialist forms of economy in town and country, the capitalist elements were practically ousted. Of especial significance was the liquidation of the kulaks (rich farmers who exploited hired labour), the most numerous class of exploiters that had still remained in the Soviet Union. So the last source for the restoration of capitalism in the country had been stamped out.

The major social and economic changes which occurred in the USSR in those four years and a quarter are characterized by the following figures:

Item	The Year Before the Five-Year Period	Under the Five-Year Plan	Done in Four Years and a quarter
I. Socialist Industrialization			
1. Growth of Industrial Output (in % % of the first year)	100	230	224

Item	The Year Before the Five-Year Period	Under the Five-Year Plan	Done in Four Years and a quarter
<b>2. Heavy Industry Output (%)</b>	<b>44.4</b>	<b>47.5</b>	<b>54.1</b>
<b>II. Socialist Socialization</b>			
1. Share of the Socialist Sector (%)			
a) industrial output	79.5	92.4	99.5
b) agricultural output	1.8	14.7	76.1
c) retail trade	75.0	91.0	100
d) national income	44.0	66.3	93.0
e) collectivized peasant economies	1.7	20.0	61.5
2. State and Collective Farms' Share of Marketable Grain Output	7.5	42.6	84.0
<b>III. The Country's Economic Independence</b>			
1. The Share of Total Deliveries of			
a) home-produced equipment	67.5	—	over 90
b) home-produced machine-tools	33.0	—	46
2. Meeting Home Consumption from Domestic Production (%)			
a) tractors	24.6	—	100
b) raw cotton	66.8	—	98.4
<b>IV. Employment</b>			
1. Unemployed (thousands)	1,133	511	—
2. Agrarian Overpopulation (millions)	8.5	2.6	—

As a result of successful accomplishment of the first five-year plan, the main problems of the transition from capitalism to socialism in the Soviet Union were solved, and the foundation of socialist economy was built.

At the same time some targets were not completely reached, as, for example, in ferrous metallurgy and the coal industry, mainly on account of the difficulty of mastering the capacity of new large enterprises. Nevertheless, the output of ferrous metallurgy had been boosted sufficiently to meet the needs of the economy. Whereas engineering output increased fourfold during the first five-year period, the production of cast iron, steel and rolled stock increased 87.8, 37 and 29.4 per cent respectively. The extensive change-over to co-operative farming was an exceedingly important effect of the first five-year plan. By 1932, nearly 15 million farms, or two-thirds, had joined up in collective farms while only 5.6 million had been expected to collectivize by that date. The collective and state farms began to supply 84 per cent of marketable grain instead of the 43 per cent stipulated in the plan. During the first five-year period the foundations of the subsequent upsurge of farming were laid. Thus, the ploughed area increased by 21 million hectares, the tractor fleet stood at about 150,000 in 1932 compared with 27,000 in 1928.

During the first five-year economic period the social and economic situation of Soviet working people was radically changed—unemployment and insecurity were done away with for good. While as of October 1, 1928, 1,365,000 people, about 10 per cent of the total labour force, were

registered at the Labour Exchanges—which existed in the Soviet Union at that time—as unemployed, by 1930 unemployment was virtually non-existent. The final liquidation of unemployment is one of the greatest benefits and this is only possible under socialism.

In 1932 the total number of factory and office workers in all branches of the Soviet economy reached 22.9 million against 11.6 million in 1928, an increase of 97.8 per cent in five years. This signal growth of employment was due to industrialization. It did not happen by itself, through a spontaneous proletarization of small producers, but was a result of the peasant population becoming systematically drawn into industry, construction and other branches of production. It should be noted that in 1932, 22.4 million persons or 99.2 per cent of the total average annual number of factory and office workers in the Soviet Union were engaged in the socialized sector of the economy.

The standard of living of the Soviet people was also improved thanks to the growth of retail trade and the notable development of the health service and education. In the main, universal primary education was introduced and conditions provided for training skilled personnel.

The national income of the Soviet Union increased by 82 per cent during the five-year period, the socialist sector contributing 93 per cent of it compared with 44 per cent in 1928.

The successful fulfilment of the first five-year plan was a fact of great international significance, because it demonstrated the progressive nature of planned economic management to the

world. The prophecies that the first five-year plan was unrealistic and doomed to failure were completely refuted by life itself.

When the first five-year plan was drafted, and especially while it was being carried out, state economic planning improved continually. In 1930, a most significant change was effected from yearly Estimated Figures to operative annual economic plans. Unlike the Estimated Figures, the 1931 plan set concrete targets for every branch of the economy including the collective and state farms.

In those years, the tendency was to enhance the planning principle and set planned assignments to every branch of the economy. Thus industrial planning was extended to small-scale industry as well as large-scale industry, which became easier as the artisans were encouraged to form co-operatives. Collectivization of agriculture facilitated the change from regulation to direct planning. After 1930, state assignments for agriculture were introduced as regards the areas to be sown, while in 1932 plans were endorsed for tractor work to be done by the machine-and-tractor stations which existed at that time.

One important achievement of planned management at the time of the first five-year plan was that economic plans which included a wide range of indicators were worked out for individual enterprises. Such plans were drafted for the space of a year, divided into quarters. Production assignments were given to shops, teams, and often to individual workers. So planning became ever more practical and detailed.

## How the Second Five-Year Plan Was Drafted

■ The 17th Party Conference in 1932, which discussed the directives on the drafting of the second five-year plan for 1933-37, stated that its main political tasks were: to abolish finally the capitalist elements, destroy the causes of exploitation completely, overcome the survivals of capitalism in the economy and in people's minds, and to turn all Soviet citizens into conscious and active builders of socialist society. As a result of the abolition of the parasitic classes and overall growth of national income, a more rapid improvement of the well-being of the working people would be achieved.

The targets of the second five-year plan could be achieved only on the basis of a comprehensive technical reconstruction of the Soviet economy, for which the conditions had been created by the successful development of the capital goods industries under the first five-year plan. That was why the 17th Party Conference stated that the main and decisive economic task of the second five-year plan was to complete the reconstruction of the national economy and create the most up-to-date technical base in all branches. And it was indicated that the decisive condition of completing the technical reconstruction of the economy was mastering new machinery and new lines of production, that the enthusiasm for building should be supplemented during the second five-year plan by enthusiasm for mastering new plants and technologies, increasing the

productivity of labour and reducing costs.

The 17th Party Conference was aware that the leading role in completing the technical reconstruction was with mechanical engineering and took the view that engineering output should be increased by at least 200-250 per cent during the second five-year period to provide enough modern Soviet machinery for the reconstruction of industry, transport, communications, farming, trade, etc. The engineering workers were faced with the task of providing machinery for the technical reconstruction of all branches of the economy and of introducing the latest technology so that, by the end of the five-year period, new instruments of production should account for 50-60 per cent of all instruments of production, while the new plants built during the time of the first and second five-year plans should supply up to 80 per cent of total output.

The 17th Party Conference regarded the creation of an up-to-date power base providing for the electrification of industry and transport and the gradual introduction of electricity in agriculture as an essential element in the technical reconstruction of the economy. To set up such a base, it was resolved to use the vast water power resources, both major and local coal deposits, and local fuels like peat and shale. The Conference found that it was necessary to produce at least 100,000 million kwh in the final year of the second five-year plan (against 17,000 million kwh in 1932), at least 250 million tons of coal (against 90 million tons in 1932), and to increase oil extraction 150-200 per cent.

Considerable tasks were set for other major branches of the economy. The output of cast

iron was to be increased to at least 22 million tons in 1937 and enough high-grade steel was to be provided for the engineering industry. Railway transport was to be completely reconstructed and at least 25,000-30,000 km of new railway lines built. The socialist reconstruction of agriculture was to be completed, machine-and-tractor stations were to become available to all collective farms and the mechanization of the farm industry should in the main be completed. As the grain output was expected to increase to at least 1,300 million centners by the end of the five-year plan, the key task of the second five-year period was to raise the yield capacity of collective and state farm fields.

The Conference pointed out that complete technological reconstruction of the economy was closely associated with mastering new technologies, training more engineers and technicians from among the workers and peasants, and raising the cultural level of working people. The problem of technical personnel was an essential element of the cultural revolution and of building socialism.

A hundred-per-cent literacy of the population, the spread of technical education, and full material government support for the development of science—these were the immediate tasks, a part of the principal task of building socialism in the Soviet Union.

The Conference also stated that to ensure a high economic growth rate and make more manufactured goods and foodstuffs available to the people, steps must be taken to end rationing and to replace the centralized distribution system by extensive trade.

The Conference was confident that the main targets of the second five-year plan would not only be fulfilled but exceeded, that Soviet workers would increase labour productivity to the level required to carry out the plan, and that the socialist emulation and shock-worker movements would increase day by day.

The Conference urged the Party, Soviet, economic, co-operative, trade union and YCL organizations to concentrate their efforts on a speedy preparation of the second five-year plan for the economic development of the Soviet Union.

To work out the right targets of the second five-year plan and to substantiate them scientifically, Gosplan, at the government's request, conducted 24 national scientific and technical conferences in 1932-33. Many similar conferences were convened by people's commissariats, Union Republics, territories and regions. Hundreds of research centres, thousands of scientists in a great variety of fields and all Soviet public organizations held discussions on various points of the plan.

Major problems associated with the preparation of the draft of the second five-year plan were discussed at joint meetings between Gosplan and the USSR Academy of Sciences.

Working people took an active part in preparing the draft plan. It was discussed by meetings in factories and on collective and state farms all over the Soviet Union. The draft of the second five-year plan was a result of the creative effort of the whole Soviet people.

In working out the draft plan, they used the experience gained in the drafting of the first five-year plan and in the course of its fulfilment.

Working out the second five-year plan was a new stage in the development of economic planning. With respect to industry, it was far more concrete than the first five-year plan. While the GOELRO plan had set production targets for 17, and the first five-year plan for 50 branches of industry, the second five-year plan fixed targets for as many as 120 branches. The plan for capital construction, too, was much more concrete than the previous plans. It dealt with the siting and construction of hundreds of enterprises of heavy industry and the light and food industries in detail, as well as with transport, municipal and social-cultural projects, and set the dates for commissioning them.

The fact that the second five-year plan was worked out broadly and in detail not only with relation to branches of the economy and people's commissariats but also for all Union Republics, territories and regions was very important. The sections dealing with the branches of the economy and Union Republics were co-ordinated by means of an appropriate system of balances. Material and cost balances of output and the balance of labour were detailed more thoroughly than in the first five-year plan. These balances made it possible to see the current economic pattern clearly and made it easier to define the balance in the development of the Soviet economy during the implementation of the second five-year plan.

Another significant thing was that the second five-year plan had a different system of indicators. Whereas in the first five-year plan the emphasis was on quantitative targets in production and construction rather than on the technical

and economic indicators, the second five-year plan contained a fairly broad combination of both. Targets for re-equipping diverse branches of the economy, achieving the planned output, increasing labour productivity and mastering new technology which served directly to organize production activities were included. For example, in ferrous metallurgy blast and open-hearth furnace utilization factors were outlined, coefficients for the raw material and fuel consumption of certain groups of factories determined, assignments in mechanizing production set, and so on.

The greater scope of national economic planning was especially manifest in the plans for the development of agriculture during the second five-year period. While the targets of the first five-year plan were mainly concerned with individual peasant economies and were confined, above all, to economic regulation measures, the second five-year plan set the socialist sector of agriculture (the collective and state farms) concrete targets in plant-raising, stock-breeding, mechanization and the technical equipment of farming, and targets for certain kinds of farm-work and crops and the utilization of tractors, etc.

The programme of work under the second five-year plan greatly exceeded the scale of the first five-year economic period, as can be seen from the table on page 75.

The targets helped Soviet heavy industry to level up its front, bringing its branches to more or less the same level. Ferrous and non-ferrous metallurgy grew fastest, and were brought up to an advanced level; the creation of a practically

Item	The First Five-Year Period (1932)	Second Five-Year Plan Tar- gets (1937)	1937 in per cent of 1932
1. National Income (in 1926-27 prices, thousand million roubles)	45.5	100.2	220.2
2. Capital Investments in the Economy Over Five Years (thousand million roubles)	52.1	133.4	256.0
including investment in industry	24.7	69.5	280.5
3. Gross Output of Large-Scale Industry (in 1926-27 prices, thousand million roubles)	38.5	86.4	224.5
4. Output of			
a) electric power (thousand million kwh)	13.5	38.0	281.5
b) coal (million tons)	64.3	152.5	237.1
c) oil (million tons)	21.4	46.8	218.7
d) cast iron (million tons)	6.2	16.0	241.9
e) steel (million tons)	5.92	17.0	289.0
f) ferrous rolled stock (million tons)	4.4	13.0	295.4
5. Power of Tractor Fleet (million h.p.)	2.25	8.2	368.5
6. Collectivization of Peasant Economies (%)	61.5	100.0	

new power base was outlined. The engineering and metal-working industries which were to develop at a high rate, were to more than double their output. Progress in machine-tools was to be still faster, the output was to increase by 240 per cent. Transport engineering was to in-

crease 240 per cent, and tractor output 220 per cent.

It is significant that the principal role in industrial production during the second five-year period was not assigned to the old factories but to the new ones, built under the first five-year plan, whose equipment had still to be mastered. For this purpose, it was necessary to improve the skills of the workers, engineers and technicians so that they would be able to handle the new plant efficiently. In view of this, the second five-year plan stipulated a less rapid industrial growth rate. The average annual growth rate of industry was set at 16.5 per cent—it had been 22 per cent during the first five-year plan period.

Under the second five-year plan, consumption by the population was to increase two or three times as much as in the first five-year period. For this purpose, the plan stipulated a higher growth rate of consumer goods (18.5 per cent), than in capital goods (14.5 per cent).

The figures for labour were highly significant. While in the first five-year plan the stamping out of unemployment and ensuring full employment of the able-bodied population had been vital, a central task of the second five-year plan was to raise labour productivity. This was to rise by 63 per cent in large-scale industry, 43 per cent on the railways, 75 per cent in building, and so on. Targets were also set on training and improving the skills of industrial personnel, the further mechanization of heavy work, etc.

The second five-year plan contained a concrete programme on the development of Union Republics and economic districts of the USSR, as well as the territories and regions. Continuing

the line for concentrated building of industrial enterprises in the east to bring raw material sources closer to industry and to ensure a more even distribution of the production forces in the Soviet Union, the second five-year plan, along with the further development of the principal industrial districts, stipulated the setting up of new power production bases, as well as the production of metal and machine tools in the new districts, and accelerated development and industrialization in the national republics and regions. Rational changes were introduced in agricultural specialization in the districts.

## The Fulfilment of the Second Five-Year Plan

■ The 17th CPSU Congress, which endorsed the second five-year economic development plan for 1933-37, called upon the workers and collective farmers to take an active part in its realization.

The Soviet people had to surmount considerable obstacles to achieve the targets of the second five-year plan.

Early in the second five-year period attention was concentrated on ferrous and non-ferrous metallurgy both of which had failed to meet the targets, and coal and oil production in the new economic districts.

Some industries failed to raise efficiency, reduce costs and improve quality to the extent stipulated in the plan. The light and food industries had received less agricultural raw material than

they needed and so had been unable to produce the planned quantity of consumer goods. The main difficulty was mastering new technology which was of key significance to raising labour productivity and reducing costs. The effort to put the second five-year plan into practice proceeded under the slogan put forward by the Communist Party about the key significance of trained personnel.

The Communist Party and Soviet Government systematically directed the implementation of the second five-year plan, taking suitable measures to overcome difficulties as soon as they arose. The Plenum of the CPSU Central Committee, held in June-July, 1934, discussed the fulfilment of the plan on grain and meat deliveries and improvements in the situation in stock farming; in November, 1934, the Plenum discussed the end rationing for bread and certain other foods; in December, 1935, the Plenum discussed the situation in industry and transport and passed a resolution on it. In February, 1936, the Central Committee of the CPSU and the Council of People's Commissars discussed what should be done to improve building and to make it cheaper. In April, 1936, the Central Executive Committee and the Council of People's Commissars passed a resolution instituting the factory manager's incentive fund to be made up of a part of the profit cleared by the enterprise. In October, 1936, the Council of People's Commissars instituted a similar fund, to be disposed of by managers of self-supporting building and assembly offices.

Like the first five-year plan, the principal force on which the implementation of the second five-

year plan depended was the enthusiasm of the working class which found expression in the Stakhanovite movement. That new stage of socialist emulation had been prepared by the triumph of socialism in every sphere of the Soviet economy. This caused an upsurge of the creative activity and labour heroism among the masses.

The Stakhanovite movement emerged in August, 1935, in the Donbas, getting its name from Alexei Stakhanov, an advanced miner. The new kind of mass emulation spread fast in all branches of the Soviet economy. The Communist Party supported the initiative displayed by the advanced workers who showed examples of high labour productivity and worked to spread the Stakhanovite movement nationwide.

To this end, they held conferences of Stakhanovites in industry and transport and of masters of socialist agriculture and stock farming which summed up the achievements of the Stakhanovite movement and mapped out its future.

In December, 1935, the Plenum of the Central Committee of the CPSU pointed out the immense significance of the Stakhanovite movement in the effort to increase labour productivity, use manpower more efficiently, and ensure high industrial growth rates. The Plenum stated what should be done to develop the Stakhanovite movement further in industry and other branches of the Soviet economy.

Spreading the Stakhanovite movement among workers and collective farmers yielded ever better results. As new technologies were progressively mastered and the Stakhanovite movement grew, labour efficiency increased and social pro-

duction expanded fast. Already during the first year of the movement industry beat the labour productivity target. There was a fresh upsurge in industry. The plan for 1936 (the fourth year of the five-year period) stipulated a 23-per cent growth in industrial production, which provided for the fulfilment of the second five-year plan in the key branches of industry in four years.

The Stakhanovite movement also facilitated an improvement in economic planning. The movement upset the old practical standards, making it clear that the design capacity of enterprises had been understated and that the old production programmes failed to match the actual potentials, calling for new plans based on higher standards which would take the Stakhanovites' experience and the achievements of science and technology into account.

The Stakhanovite movement helped to reveal and eliminate many bottlenecks and partial lack of balance in the capacity of some industries as well as discrepancies between individual enterprises and shops.

Therefore, during 1936 production conferences were held in all industries to redefine capacity standards. These conferences were attended by advanced workers and Stakhanovites, designers, research workers, and Party and trade union workers. They were given wide press coverage. At the conferences, thousands of engineers, foremen, Stakhanovites and research workers made proposals and expressed ideas which reflected the vast experience accumulated by the many bodies they represented.

As a result of the conferences, it was possible to increase the standard machine capacity in

heavy industry by at least 25-30 per cent and obtain tens of thousands of millions of roubles worth of extra output using the same equipment.

The Stakhanovites vied with each other to use raw materials and fuel to the best possible advantage, reducing their expenditure per unit of output, replacing raw materials in short supply by materials which were more easily available, reducing the reject rate, and so on. Thanks to these efforts, all industries were able to increase output using the raw materials and fuel available.

During the second five-year economic period the Soviet working people played a still greater part in economic planning. Along with numerous production conferences held in different industries to work out new practical standards and output standards, they also arranged conferences of active workers in factories and various branches of the economy and people's commissariats, joint meetings of advanced workers from different industries and Communist Party and Soviet Government leaders, and factory production conferences. Wide sections of factory workers, state farm workers and collective farmers began to take part in working out production schedules. In this way, they tapped new reserves which enabled them to reduce costs and achieve the output targets with lower investments of capital, less raw material, transport, and so on.

Economic plans drew increasingly on senior workers' knowhow and on progress of science and technology. The USSR Academy of Sciences, the Academies of Sciences of Union Republics, research centres and tens of thousands of scientific and technical workers now systematically

participated in drafting economic plans. Key problems in national economic planning like the exploitation of natural resources, surveying for mineral deposits, the evolution of new exploitation methods, the possibilities of applying the latest results achieved by science and technology in the Soviet Union and abroad in practice, the introduction of improved technologies, the organization of modern lines of production, the use of new raw materials and building materials, methods for improving crops, and so on, were tackled with the assistance of a great number of Soviet research centres and organizations.

When the second five-year plan was under way, a great deal was done to build up economic management and planning bodies, to improve their standards and refine the methods of planned management.

## The Main Achievements of the Second Five-Year Plan

■ Thanks to the immense organizing work done by the Communist Party and Soviet Government, the heroic efforts of the Soviet people and the advantages of the socialist economic system, the second five-year economic development plan of the Soviet Union was completed ahead of schedule.

As regards the output of large-scale industry, the second five-year plan was completed in March, 1937, i.e., in four and a quarter years. Over the second five-year period gross industrial

output increased 120 per cent, the output of capital goods increased by 140 per cent. The average annual rate of increment in industrial output amounted to 17.1 per cent against the 16.5 per cent stipulated in the plan.

As a result of mastering new technology and thanks to the spread of the Stakhanovite movement, the labour productivity target was exceeded. Instead of growing by 63 per cent as planned, labour productivity in large-scale industry actually went up 82 per cent.

Many industrial projects were built during the period and thousands of new enterprises were put into operation, including concerns as large as the Chelyabinsk Tractor Plant, the Voroshilovgrad Locomotive Works, the Novocherkassk Locomotive Works, the Urals Carriage Works, the Krivoi Rog, New Tula and New Lipetsk Metallurgical Works, the "Azovstal" on the Azov Sea coast, and so on. In that time, 145 new or completely reconstructed collieries with an annual capacity of 74.6 million tons, 25 cracking plants, 20 blast furnaces, 80 open-hearth furnaces, etc., were put into operation. New production funds were put into use particularly fast in the capital goods industries. In 1937, they accounted for 78.2 per cent of the aggregate assets of large-scale industry. Incidentally, in 1936 large enterprises built during the first and second five-year economic periods accounted for 10.8 per cent of all Soviet industrial enterprises and for 98 per cent of total industrial output.

The Soviet Union quickly built an advanced engineering industry which began to supply the economy with machines. Thus, in 1937 the output of lathes, steam and gas turbines and agri-

cultural machines increased by factors of 32.3, 181 and 40 respectively compared with 1913.

A lot was done to carry on with electrification in the Soviet Union: 28 large district electric power stations, including 11 hydroelectric power stations, were put into operation. The Dnieper Hydroelectric Power Station, the first stage of which had been commissioned during the first five-year period, generated more electric power in 1936 than all the power plants in Russia in 1913. By the close of the second five-year period the capacity of the electric power stations of the Soviet Union had mounted to 8.7 million kw, which was nearly an 8-fold increase over pre-revolutionary times.

The Soviet Union had become a mighty industrial nation and in 1936 it emerged to first place in Europe and second in the world for industrial output. As a result of the first and second five-year plans, Soviet industry was well set up with new machinery. In 1937, the output from new or completely reconstructed enterprises made up more than four-fifths of its total industrial output. Engineering plants of this kind were responsible for about nine-tenths of the industry's total output, the plants manufacturing farm machinery and cars and tractors accounting for 95 and 100 per cent respectively.

The end of the second five-year period saw the completion of the technical reconstruction which made the Soviet Union into an advanced economically independent country.

As a result of the realization of the second five-year plan, the pattern of the Soviet economy underwent further changes. In 1937, industrial output accounted for 77.4 per cent of aggregate

output, and the share of capital goods production was nearly three-fifths of total industrial output.

During the second five-year period collectivization of Soviet agriculture was completed, and 93 per cent of all farms had joined collective farms. One of the most difficult tasks of the victorious socialist revolution was thus accomplished. The state farms also grew.

Socialist farming received up-to-date machinery. In 1938 it had 483,500 tractors, 153,500 combines, 195,800 lorries, and over 130,000 threshers. In 1937, the collective farms had 5,818 machine-and-tractor stations at their disposal. Whereas in 1928 mechanical engines (tractors, cars, self-propelled harvest combines, and so on) accounted merely for 5.2 per cent of the total power resources of Soviet agriculture, in 1937 they accounted for two-thirds. Electric power consumption in agriculture increased nearly 11 times over in this period.

The new Rules for Farming Co-operatives did a lot to improve the collective farm system. They were discussed and approved by the Second National Congress of Advanced Collective Farmers and endorsed by the Soviet Government in February, 1935. The Rules fixed the key principles of the socialist economy. They stipulated comprehensive development of collective-farm property, rational farm management on the basis of the targets laid down in the national economic plans, the systematic improvement of yields and of the productivity of stock farming, the implementation of the socialist principle of payment by results, and collective-farm democracy in the management of the co-

operative economy. In accordance with the Rules, collective farmers derived their main incomes from the collective farm. But each collective-farm family was allowed a small plot of land attached to their house, to grow vegetables and fruit and keep animals and fowls.

By the decision of the government adopted early in the second five-year economic period, both collective and individual farmers had to deliver a proportion of grain and animal products to the state at government prices. The deliveries were obligatory, being in the nature of a tax. The quotas of cereals to be delivered by collective farms depended on the number of hectares sown by each collective farm in accordance with its plan, and of animal products, on the number of cattle kept on the farm. Since 1933, the collective farms had had to pay for the work done for them by machine-and-tractor stations in kind. These payments in kind contributed 15.7 per cent of centralized government purchases of grain in 1933, rising to 44.1 per cent in 1937. During the second five-year period the state bought surplus marketable produce from collective farms, their members, and individual farmers through the consumer co-operatives, at prices somewhat higher than the fixed price.

State grain purchases mounted to 1,900 million poods in 1937, compared with 650 million poods in 1928, a threefold increase. Industrial crop production, especially of raw cotton and sugar beet, increased considerably. Stock farming also began to improve. Nevertheless, agricultural production on the whole continued to lag

behind the growing needs of the economy and the population.

Much was done during the second five-year-plan period to improve the situation in transport which at the beginning of the period was a "bottleneck" holding back economic development. To counteract this imbalance, the socialist state built up the material and technical base of transport. Towards the close of the second five-year period the Soviet railways increased to 83,300 km; 3,300 km of new track and 5,700 km of branch lines had been put into operation. During the first and second five-year periods the length of navigable river routes increased from 71,600 km in 1928 to 101,900 km in 1937. In a short time, railway transport had become an advanced branch of the national economy, fulfilling the five-year plan in four years.

Complete socialist reconstruction of industry and agriculture told sharply on the trade relations between town and country, the collective farms and socialist industry. There was no longer any private trade in the Soviet Union. Trade was conducted through co-operative and public organizations. Public trade predominated, the co-operative shops accounted for just a quarter of business. Co-operative trade was chiefly conducted in the countryside.

The figures on page 88 characterize the development in the Soviet Union during the second five-year economic period.

The years of the second five-year plan were marked by signal achievements in the cultural development of Soviet population. Primary education for all children in their native languages was introduced, illiteracy was almost entirely

Item	1932	1937	1937 in per cent of 1932
1. National Income (in 1926-27 prices, thousand million roubles)	45.5	96.3	<b>211.6</b>
2. Capital Investments in the Economy, Including Capital Repairs and Extra Spending (in current prices, thousand million roubles)	50.5	187.5	272.2
3. Gross Industrial Output (in 1926-27 prices, thousand million roubles)	43.8	95.5	220.6
4. Grain Yield (million poods)	4,266	7,344	172.2
5. Factory and Office Workers (millions)	22.9	27	117.6

eradicated, and a new force, the people's intelligentsia, was raised.

The task of increasing consumption was successfully fulfilled. The output of consumer goods was nearly doubled. Real wages and salaries more than doubled. Early in 1935 the rationing of bread and other foods ended.

By the end of the second five-year period all exploiting classes in the USSR, and the last remnants of the division of society into exploiter and exploited, had been finally eradicated.

Socialist (state and co-operative—collective-farm) property became dominant in the Soviet national economy. Thus, in 1936 it accounted for 98.7 per cent of the national production assets, the state property (the property of the whole

people) accounting for 90 per cent of the production assets of the economy, and co-operative-collective-farm property accounting for 8.7 per cent. The Soviet socialist economy accounted for 99.1 per cent of the national income.

As a result of the first and second five-year plans the Soviet economy was no longer characterized by the presence of several modes of production. The socialist mode of production had become dominant.

The transition from capitalism to socialism was completed and socialist society built in the Soviet Union. This historic achievement was set down in Article 4 of the Constitution of the USSR, which states: "The economic foundation of the USSR is the socialist system of economy and the socialist ownership of the instruments and means of production, firmly established as a result of abolishing the capitalist system of economy, the private ownership of the instruments and means of production, and the exploitation of man by man." The Constitution also states that an economy based on public ownership is guaranteed planned development. Article 11 runs: "The economic life of the USSR is determined and guided by the state economic plan for the purpose of increasing the wealth of society, steadily raising the material and cultural standards of the working people and strengthening the independence of the USSR and its defence potential."<sup>1</sup>

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Economic planning in the USSR has a long enough history. It shaped and grew as public

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<sup>1</sup> *Constitution of the USSR*, pp. 12, 15-16.

ownership of the means of production became firmly established and socialist relations in society developed.

The first economic plans were even drafted in the Soviet Union during the civil war and the military intervention. They were current plans, for managing the war-time economy to get together the means and resources to defend the young republic. The plans were usually drafted for three- or six-month periods.

During the rehabilitation period, the aim of economic planning was to provide for the building of socialist society, to help the socialist sector to get the upper hand, to reconstruct small-scale production, restrict and finally abolish the capitalist element.

From 1922 on, yearly plans were drafted usually covering only a few industries. Thus, the successive annual plans for the 1922-23, 1923-24 and 1924-25 economic years took care of 13, 19 and 22 industries respectively. The industries covered by the last of these accounted for 65-70 per cent of output of state-owned enterprises.

The first state plan for agriculture was a long-term plan for rehabilitating and developing agriculture in the drought-stricken areas. This was endorsed by the Soviet Government in 1922.

The first plan to include co-ordinated indicators in key branches of the economy (industry, agriculture, capital construction, home and foreign trade and the Budget) was of estimated figures for the economic year 1925-26, published in August, 1925. Similar planned assignments—estimated figures—were also drawn up for subsequent years.

The estimated figures for the economic year

1927-28 stipulated rapid industrialization, a further consolidation of the socialist mode of production, and consistent pressure to push the capitalist elements out of the economy.

By that time the Soviet economy had achieved tangible results. The rehabilitation period was over. Now the country had to build the foundation of the new socialist economy, reconstruct industry, build up a powerful heavy industry and reorganize agriculture. To cope with these tasks, the previously adopted GOELRO plan had to be made more concrete. It had become necessary to draft economic plans for some years ahead. Such economic plans were: the first five-year economic development plan of the Soviet Union for 1928-32, the second five-year plan for 1933-37 and other plans that followed. Then the 18th CPSU Congress endorsed the third five-year plan for 1938-42 which provided for the further progress of industry and agriculture, and a higher standard of living for the Soviet people.

Before the war, the third five-year plan was successfully fulfilled. The further priority growth of the industries producing capital goods was stepped up. As a result, in 1940 the relation between the production of the means of production and the production of consumer goods changed still more in favour of the means of production, which accounted for 61 per cent of aggregate industrial output. The share of heavy industry, above all engineering, increased considerably.

Nazi Germany's perfidious attack on the Soviet Union in 1941 upset the Soviet people's peaceful constructive work, and temporarily

checked the overall upswing of the economy and growth of the standard of living.

In war-time, as in peace-time, the Soviet economic effort proceeded under economic plans. Nevertheless, the war greatly affected economic planning, changing trend, method and organization, and posing different problems.

From the beginning of the war the Soviet Government, on the representation of the State Planning Committee, ministries and departments of the USSR systematically began to endorse military-economic plans which geared all economic activities to war-time objectives. This notably contributed to the Soviet Union's military and economic victory over the enemy.

The war caused immense damage to the Soviet economy. The CPSU directed the Soviet people's efforts at overcoming the after-effects of war as quickly as possible. For this purpose, plans of economic rehabilitation of many districts were drafted, endorsed and carried out even while the war was still in progress.

In 1946, the Supreme Soviet of the USSR adopted the Law on the Fourth Five-Year Plan of economic development of the USSR for 1946-50. The main economic and political task for the fourth five-year period was the complete rehabilitation of the economy in the areas hit by the war, to reach the prewar economic level.

The Directives on the Fifth Five-Year Plan for 1951-55, approved by the 19th CPSU Congress, continued along the lines of the preceding five-year plans for increasing the Soviet economic potential, ensuring priority development of heavy industry and improving the living standard of the Soviet people.

Under the two postwar five-year plans, thousands of new plants and factories with up-to-date equipment were built in the Soviet Union. There were new successes in science and technology. The productive forces in agriculture increased. The standard of living was improving steadily.

The main goals of the seven-year plan for 1959-65 were to develop all branches of the economy further on the basis of the priority growth of heavy industry and increasing the Soviet economic potential substantially, to provide for a continuous growth of living standards.

The seven-year plan was successfully completed. The seven-year period was marked by a fresh strong upsurge of the productive forces and an increase in industrial and agricultural output. A large stride forward was made in building the material and technical base of communism. The economic potential increased notably and so did Soviet people's material and cultural standards.

The rapid advance of technology, the need to make social production more efficient, to speed the growth of the people's well-being, called for improved economic management methods, for a better organization and more effective socialist economic planning.

Especially impressive measures to improve economic management and planning were launched under the decisions of the September, 1965, Plenum of the CC CPSU, as well as of the 23rd CPSU Congress, which blueprinted the economic policy of the Party and the Soviet Government at the present stage of communist construction. The September Plenum charted the programme of major economic reforms, the further improve-

ment of economic management, and the introduction of new planning and economic stimulation methods.

The CPSU has resolutely taken a scientific approach to the economy and improvement of economic management methods in order to use the objective laws governing the development of socialist society more fully to bring about a fresh and powerful upsurge in the national economy, increase the effectiveness of social production and speed the building of the material and technical base of communism.

The principal economic objective of the eighth five-year plan for 1966-70 was to use scientific and technological developments as fully as possible to ensure the industrial development and increase the effectiveness of social production as a whole, increase labour productivity in order to provide for an appreciable growth of industrial output and a high and stable growth in agriculture to raise the standard of living substantially.

As a result of their creative constructive effort, Soviet people successfully carried out the eighth five-year plan. During the eighth five-year economic period, hundreds of industrial enterprises went into operation and the largest grain and cotton harvests in the whole history of the country were obtained. Real per capita income increased 33 per cent instead of the planned 30 per cent, the wages of some categories of workers were raised, a five-day week was introduced, collective farmers received guaranteed pay, pensions were increased and social insurance was improved.

The new, ninth five-year period (1971-75) is

an important stage in Soviet society's advance towards communism, in building its material and technical base, and improving the Soviet economic and defence potential. The principal objective of this five-year plan is to raise the material and cultural standards of the Soviet people by ensuring high economic growth rates, increasing the effectiveness of production, using the fruits of the progress of science and technology and speeding the growth in labour productivity.

Soviet experience of rapid economic growth on the basis of state plans has merited international recognition and is widely used by the countries which have embarked on the socialist path. The vast experience in economic planning in the USSR was extensively used when the Comprehensive Programme for the further extension and improvement of co-operation and the development of socialist economic integration by the CMEA member-countries, which was adopted in 1971 by the 25th CMEA Session, was drafted.

"But we cannot afford to mark time, we must continue to work hard to improve both the theory and the practice of national-economic planning," runs the report of the Central Committee to the 24th Congress of the CPSU.

For the first time since the war, the five-year economic development plan of the Soviet Union was drafted for each year of the period, for each Union Republic, ministry and department. Proceeding from the instructions of the 24th CPSU Congress the planning bodies have already started working out the economic perspective of the Soviet Union as far ahead as 1990.

The improvement of the system and methods of management and planning is being directed above all at all-round intensification of social production, which is the principal line of the economic development of the Soviet Union both in the short and long term, and a major condition for building the material and technical base of communism.

*Н. КОВАЛЬ*

ПЕРВЫЕ НАРОДНОХОЗЯЙСТВЕННЫЕ ПЛАНЫ СССР  
на английском языке

Цена 29 коп.